

Missouri Public Service Commission



2013 Annual Report



From left to right: Commissioner William P. Kenney, Chairman Robert S. Kenney, Commissioner Daniel Y. Hall and Commissioner Stephen M. Stoll.

Photo by Mark Hughes



Commissioners

ROBERT S. KENNEY
Chairman

STEPHEN M. STOLL

WILLIAM P. KENNEY

DANIEL Y. HALL

Missouri Public Service Commission

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MORRIS WOODRUFF
Secretary

WESS A. HENDERSON
Director of Administration
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CHERLYN D. VOSS
Director of Regulatory Review

KEVIN A. THOMPSON
Chief Staff Counsel

November 6, 2013

The Honorable Jeremiah W. Nixon
Governor of Missouri
State Capitol
Jefferson City, Missouri

Dear Governor Nixon:

As Chairman of the Missouri Public Service Commission, it is my pleasure to submit the agency's annual report for the fiscal year July 1, 2012 through June 30, 2013, as well as additional information for the calendar year 2013. Some of the highlights of the Commission's work this year include:

- **Major Rate Cases:** Issued decisions in rate cases filed by all four investor-owned electric utility companies: Ameren Missouri, Kansas City Power & Light Company (KCP&L), KCP&L-Greater Missouri Operations Company (GMO), and The Empire District Electric Company. These electric companies serve over 1.9 million customers in Missouri. The Commission also approved a stipulation and agreement filed in the Laclede Gas Company (Laclede) rate case, which resulted in no general rate increase.
- **Laclede/MGE Merger:** In January 2013, Missouri Gas Energy (MGE) and Laclede filed a Joint Application requesting authority for MGE to sell its assets to Laclede. In July 2013, a unanimous stipulation and agreement for the merger was filed and subsequently approved by the Commission.
- **Energy Efficiency:** Approved the first stipulation and agreements for the implementation of 26 demand-side programs cumulatively for GMO and Ameren Missouri under the Missouri Energy Efficiency and Investment Act (MEEIA). Implementation of the demand-side programs for both utilities began in January of 2013. These programs are anticipated to result in the cumulative annual energy savings of approximately 950,000 MWh.
- **Consumer Service:** Commission staff responded to more than 14,000 customer-related contacts and saved Missouri consumers approximately \$120,000 during the 2013 fiscal year. The Commission also handled nine formal and 2,150 informal complaints during the fiscal year.
- **Consumer Outreach & Education:** In fiscal year 2013 there were approximately 50 different consumer outreach activities. In October 2013, the Commission partnered with Heat Up St. Louis, a non-profit organization that focuses on assisting elderly, disabled, and low-income families with their heating bills. The Commission was able to reach out to many of the 2,000 consumers that attended this event. In promotion of the Speaker's Bureau, the Commission sent letters to every Chamber of Commerce in the state and has received and accepted several invitations for the Commission to speak to its members.

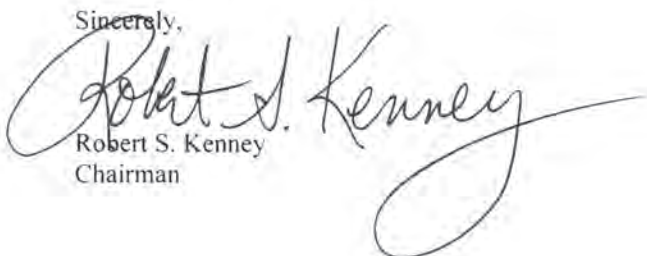
- **Local Public Hearings:** Continued to hold several local public hearings across the state to receive customer comment on rate cases before the Commission. These hearings also provide the PSC with a means to educate consumers on the role of the Commission and to answer questions they may have about the Commission or the utility services they receive.
- **Public Utility Law Symposium:** Held the Commission's Third Annual Public Utility Law Symposium at the University of Missouri-Columbia School of Law on October 11, 2013. The annual symposium covered both utility law topics and general practice skills.
- **Federal Environmental Regulations:** Requested an update regarding the cost of complying with federal environmental regulations in light of the issuance of new standards under Section 111(d) of the Clean Air Act. A workshop was held on October 28, 2013. The Commission will keep working with all relevant stakeholders to ensure the continued delivery of reliable and affordable energy.
- **Federal Activity:** Continued to be a strong and active voice for Missourians monitoring federal issues before the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC).
- **Telecommunications Activity:** Continued to implement reforms instituted by the FCC to the federal Lifeline program. Some of the more significant reforms include new sign-up procedures and the requirement to annually verify the continued eligibility of all subscribers. The Commission is also considering a proposed rulemaking to further strengthen compliance efforts and enhance the federal and state Lifeline programs.
- **Manufactured Housing and Modular Unit Program:** Staff conducted 281 on-site inspections, licensed 120 manufacturers, 209 retail dealers, and 94 installers during the 2013 fiscal year. Staff conducted 44 consumer complaint inspections and resolved approximately 98% of the complaints received.
- **Open Proceedings:** Consumers can access the Commission's website and view, in real time, hearings in cases before the Commission or watch the Commission conduct business in its weekly agenda meeting. In addition, consumers can view all public information in a case before the PSC by accessing the website (www.psc.mo.gov).

In April 2013, we recognized 100 years of service to the citizens of Missouri. From regulating street cars and railroads in 1913, to telephone divestiture, the construction of nuclear power plants and working to meet the future energy needs of our state, the Public Service Commission has, and will continue to have, a major impact on the citizens and economy of our great state.

Public utility regulation has changed over the past 100 years. But our core mission remains the same. The Commission continues its work to ensure Missouri's consumers receive safe and adequate service at just and reasonable rates.

I hope that you will find this report helpful and useful. If there is any additional information that we can provide, please contact me.

Sincerely,



Robert S. Kenney
Chairman

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BUDGET

Fiscal Year 2014

Public Service Commission

Public Service Commission - Personal Service	\$10,521,514
Public Service Commission - Expense & Equipment	\$2,536,462
Public Service Commission - Refunds	<u>\$10,000</u>

Total	\$13,067,976
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Full-Time Employees (F.T.E.)	194.00
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Office of Public Counsel - Personal Service	\$601,149
Office of Public Counsel - Expense & Equipment	<u>\$104,634</u>

Total	\$705,783
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Full-Time Employees (F.T.E.)	12.00
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Deaf Relay Service and Equipment Distribution Program

Expense & Equipment Appropriation	<u>\$2,495,808</u>
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Total	\$2,495,808
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Full-Time Employees (F.T.E.)	0.00
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Manufactured Housing Department

Personal Service	\$348,232
Expense & Equipment	\$120,946
Program Specific Distribution & Refunds (MH)	\$20,000
MH - Refunds	<u>\$10,000</u>
Subtotal	\$499,178

Program Specific Distribution MH Consumer Recovery*	<u>\$192,000</u>
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Total	\$691,178
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Full-Time Employees (F.T.E.)	8.00
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TOTAL BUDGET	\$16,960,745
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TOTAL F.T.E.	214.00
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*Consumer Recovery Fund Appropriation

COMMISSIONER BIOGRAPHIES



ROBERT S. KENNEY

Chairman

Chairman Robert S. Kenney was appointed to the Missouri Public Service Commission on July 29, 2009 by Governor Jay Nixon. He was unanimously confirmed by the Missouri State Senate on January 13, 2010. He was named Chairman of the PSC by Governor Nixon on March 1, 2013.

Chairman Kenney is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He serves as Chair of the Committee on Energy Resources and the Environment. He also serves on the Consumer Affairs Committee, the Subcommittee on Utility Market Place Access, and the International Relations Committee. He is the Immediate Past President of the Organization of MISO States (OMS).

As President of the Organization of MISO States, Chairman Kenney led efforts to enhance and strengthen the role of the state regulatory sector in the MISO market. His leadership resulted in enhanced authority for the OMS whereby the OMS has the ability to make certain filings pursuant to section 205 of the Federal Power Act. This major enhancement will provide state regulators increased ability to protect the consumers' interests.

Prior to his appointment to the PSC, Chairman Kenney served as Missouri Attorney General Chris Koster's Chief of Staff.

As Chief of Staff, Chairman Kenney was instrumental in leading the office through the transition process. He was responsible for overall management of the Attorney General's attorney and non-attorney employees in five offices throughout the state. Chairman Kenney was also responsible for managing and litigating complex cases involving, among other things, election law, petition initiatives, and representation of statewide elected officials.

Chairman Kenney was also tasked with monitoring and advocating on behalf of legislation affecting the Attorney General's Office. As a part of the executive leadership team, Chairman Kenney was responsible for the management and administration of a \$23 million budget. Chairman Kenney also acted as the primary liaison with multiple constituencies including the Missouri General Assembly, statewide elected officials, local/municipal elected officials and leaders, and the labor, law enforcement, agriculture, minority, and other communities.

Previously, Chairman Kenney was a shareholder at the St. Louis law firm Polsinelli Shalton Flanigan Suelthaus PC (now Polsinelli Shughart), where he practiced in the commercial and business litigation practice group and the product liability practice group. He litigated complex cases in state and federal courts in Missouri, Illinois, and other courts throughout the country. Chairman Kenney chaired Polsinelli's diversity committee and served on the firm's recruiting committee.

Prior to his time in private practice at Polsinelli, Chairman Kenney was an Assistant Attorney General in the Missouri Attorney General's Office, practicing in the Consumer Protection Division. In that division, Chairman Kenney worked to enforce state and federal consumer protection laws. Chairman Kenney also served the community by implementing community education and outreach efforts. Chairman Kenney also played an instrumental role in the initial implementation and enforcement of Missouri's Telemarketing No-Call List Law.

Chairman Kenney remains actively involved in a host of civic and bar related activities. Chairman Kenney is a member of the Missouri Bar Board of Governors. Chairman Kenney served as the Co-Chair of the 2009-2010 Missouri Bar Leadership Academy. He is Vice-Chair of the Missouri Bar's Twenty-Second Circuit Judicial Evaluation Committee and Vice-Chair of the Missouri Bar's Environmental and Energy Law Committee. Chairman Kenney is a past President of the Mound City Bar Association. Chairman Kenney has also served as a member of the board of governors of the Bar Association of Metropolitan St. Louis, serving as a presidential liaison.

Chairman Kenney has served on the Board of Trustees for Fontbonne University, the Board of Directors for The St. Louis Black Repertory Theater, and the Board of Directors for the Portfolio Gallery and Educational Center. Chairman Kenney is a member of Alpha Phi Alpha Fraternity, Inc., Epsilon Lambda Chapter.

Chairman Kenney appears in the *St. Louis Business Journal's* Who's Who in Energy and has received its Inclusive Leadership and 40 Under 40 Awards. He was recognized by *Missouri Lawyers Weekly* as an "Up and Coming Lawyer" and by *Missouri and Kansas Super Lawyers*, as a "Rising Star" in the Business Litigation practice area. Chairman Kenney also appears in *Who's Who In Black St. Louis*.

BIOGRAPHIES

Chairman Kenney earned his undergraduate degree in 1994 from Hampton University in Hampton, Virginia. He earned his law degree in 1998 from Saint Louis University School of Law. While in law school, Chairman Kenney was an Articles Editor for the *Saint Louis University Public Law Review*. He was also a member of the National Moot Court Team and the Moot Court Board. He is licensed to practice law in Missouri and Illinois (inactive). He is a member of the American Bar Association, the National Bar Association, the Energy Bar Association, and the Mound City Bar Association.

Chairman Kenney is married to Michelle (Oakley) Kenney. They have two children: daughter, Mackenzie; and son, Robert, Jr. They live in the Carondelet neighborhood in the City of St. Louis, Missouri.

STEPHEN M. STOLL, *Commissioner*

Stephen M. Stoll was appointed to the Public Service Commission by Missouri Governor Jay Nixon in December, 2011, re-appointed in May, 2012 and unanimously confirmed by the Missouri Senate in January, 2013. He is the only PSC Commissioner in Missouri history to twice receive a unanimous "do-pass" confirmation recommendation from the Senate Committee on Gubernatorial Appointments for the same term, and the only commissioner whose confirmation consideration covered three calendar years.

Commissioner Stoll is well-known to the Missouri Senate and the House of Representatives, having been elected to both legislative bodies by the citizens of his home area in Jefferson County. Stoll was first elected to the Missouri House of Representatives, District 103, in 1992. He was re-elected by the citizens of that district in 1994 and 1996 to serve three consecutive terms in that chamber. During his tenure in the Missouri House, Stoll served on a number of legislative committees, including being named chairman of the House Elementary and Secondary Education Committee.

In 1998, Stoll was elected to the Missouri Senate, serving the 22nd District that comprised the northern two-thirds of Jefferson County. As Senator from the 22nd, Stoll replaced Senate President Pro-Tem Bill McKenna, the Senate's highest ranking official. Stoll, who was re-elected to the Senate in 2002, served on a number of committees, including the Senate Committee on Commerce and the Environment, the Senate Committee on Local Government and Economic Development, the Senate Ways and Means Committee and the Senate Appropriations Committee. He also served as chairman of the Committee on Elections, Veterans and Corrections during his first term in the Senate.

In 2005, Stoll returned to Jefferson County to



serve as the City Administrator of Festus, a position he held for four years.

In 2009, Stoll was named Director of Administration for Jefferson County, becoming the first director to serve under the Home Rule Charter of Jefferson County.

Commissioner Stoll is a member of the NARUC, and serves on the NARUC Committee on Water and Electricity. Stoll serves as the Missouri Public Service Commission's representative on the Regional State Committee for the Southwest Power Pool.

Stoll is veteran of the U.S. Army. He holds a Bachelor of Arts degree in political science from the University of Missouri-Columbia and a Master of Education degree from the University of Missouri-St. Louis.

Stoll worked as a classroom teacher in Jefferson County schools, where he taught social studies for 20 years. He was first elected to public office in Crystal City, where he served on the City Council from 1983 to 1992.

Commissioner Stoll and his wife, Kathy, have four children (Emily Stoll, deceased) and five grandchildren.

WILLIAM P. (BILL) KENNEY, *Commissioner*

Commissioner Bill Kenney was appointed to the Missouri Public Service Commission by Governor Jay Nixon on January 9, 2013. On January 24, 2013, he was confirmed by the Missouri Senate to a six-year term.

Commissioner Kenney was born in San Francisco, California and grew up in Southern California with his parents and eight siblings. He received an Associate of Arts Degree from Saddleback Junior College and attended Arizona State University prior to graduating from the University of Northern Colorado with a Bachelor's Degree in Business Management.

Commissioner Kenney was drafted as a quarterback in the National Football League by the Miami Dolphins in 1978. He went on to play professional football for 11 years, 10 with the Kansas City Chiefs. Among his many accomplishments were becoming the National Football League's fourth quarterback to ever throw for 4,000 yards in a single season, Pro Bowl 1983 and Kansas City Chiefs Most Valuable Player in 1983.

Upon his retirement from football, Commissioner Kenney became a licensed real estate broker. He is president of Bill Kenney & Associates, a real estate brokerage and development company. He is also president of Bill Kenney Homes, a residential construction company.

Commissioner Kenney was elected to the Missouri Senate in 1994 and served the citizens of eastern Jackson County until 2002. In 2001, Commissioner Kenney was selected by



BIOGRAPHIES

Senate members to serve as the Majority Floor leader, the first Republican to hold this office in over 50 years. During a brief stint when neither party had an 18-seat majority, he became the first Republican in history to serve as co-floor leader.

In 1996, Commissioner Kenney was the Republican nominee for Lieutenant Governor. From January 2011 until accepting his current position, Commissioner Kenney was Chief of Staff for Missouri Lieutenant Governor Peter Kinder.

In August of 2013, Commissioner Kenney was appointed to the National Association of Regulatory Utility Commissioners Committee on Gas.

Commissioner Kenney is married to Sandra (Ehrlich) Kenney. They reside in Lee's Summit and have four adult children.

DANIEL Y. HALL, *Commissioner*

Commissioner Daniel Yves Hall was appointed to the Missouri Public Service Commission on September 27, 2013 by Governor Jay Nixon. An attorney, he is the 101st PSC Commissioner in the 100-year history of the PSC – Missouri's oldest state agency.

From January of 2009 when Governor Nixon was sworn into office until his appointment to the Commission, Hall served as the Legislative Director to the Governor, overseeing efforts to advance the Nixon Administration's legislative agenda and serving as lead liaison between the Governor and members of the Missouri General Assembly.

From 2003 to 2009, Hall served as Senior Counsel and Assistant Attorney General in the Office of Missouri Attorney General Jay Nixon. In this position, he litigated in state and federal courts, both trial and appellate, and provided counsel to the Attorney General concerning a wide range of topics including tobacco, sunshine law, education, elections, federal military base closure, and constitutional legislative procedures.

Between 2001 and 2003, Hall served in the Administration of Governor Bob Holden, first as Assistant Commissioner for Policy in the Office of Administration, then as a Senior Policy Advisor to the Governor. In these positions, Hall worked in policy development and legislation in the areas of transportation, natural resources, conservation, labor, agriculture, economic development and the annual state operating budget.

From 1998 to 2001, Hall served as Chief of Staff to Missouri House Speaker Steve Gaw. His responsibilities included coordinating the formulation and passage of the legislative agenda of the Speaker and House majority caucus, supervision of the Speaker's office staff and liaison with the Chief Clerk regarding House legal and personnel matters.



Prior to his state government service, between 1995 and 1998, Hall worked in private practice as an associate with Bryan Cave, LLP in Kansas City. His litigation practice included labor and employment, class action defense and commercial disputes.

From 1993 to 1995, Hall served as a Law Clerk to United States District Court Judge Dean Whipple. In this capacity, Hall conducted research and drafted opinions and orders in a broad range of civil and criminal cases, and provided counsel to the Judge concerning the court's management of state and local entities under its supervision.

Prior to becoming an attorney, Hall worked as a history, sociology and economics teacher at Ranson Everglades High School in Miami, Florida, where he also coached tennis and soccer.

Hall was awarded a Juris Doctorate from the University of Missouri School of Law in 1993. His law school honors include the Order of the Coif, Order of the Barristers and Board of Advocates. He was a member of the Law Review, serving as Note and Comment Editor.

In 1988, Hall graduated *cum laude* with a Bachelor of Arts degree from Carleton College in Northfield, Minnesota, with a major in history and a minor in political economy.

Hall and his wife, Cindy, have three children – Elly, Kate and Keaton – and make their home in Columbia.

TERRY JARRETT, *Commissioner*

Commissioner Terry Jarrett was appointed by Governor Matt Blunt to the Missouri Public Service Commission for a six-year term on September 11, 2007. Commissioner Jarrett served as president of the Missouri Universal Service Board, and was a member of the National Association of Regulatory Utility Commissioners (NARUC), where he served on the Gas Committee and the Critical Infrastructure Committee.

Commissioner Jarrett left the PSC in September 2013.



BIOGRAPHIES

KEVIN GUNN, *Commissioner*

Kevin Gunn was appointed to the Missouri Public Service Commission on March 13, 2008, by Governor Matt Blunt. He was confirmed by the Missouri State Senate on April 10, 2008 and sworn in on April 21, 2008. He was appointed as chairman by Governor Jay Nixon on February 10, 2011 and served as chairman until his resignation on March 1, 2013.

Commissioner Gunn served on the National Association of Regulatory Utility Commissioners (NARUC) Board of Directors and on the Committee on International Relations. In September 2009, Gunn was appointed Co-Chair of the

NARUC Washington Action Program and in January 2012, he was appointed to the NARUC Committee on Electricity. Gunn also served as a member of the Executive Committee of the Eastern Interconnection States' Planning Council (EISPC), the Eastern Interconnection Planning Collaborative (EIPC) and the EIPC Stakeholder Steering Committee (SSC).

Gunn resigned in March 2013.



Photo by Mark Hughes

KEY COMMISSION PERSONNEL



Commissioners

Robert S. Kenney, Chairman 751-4132
Stephen M. Stoll, Commissioner 751-4221
William P. Kenney, Commissioner 751-7508
Daniel Y. Hall, Commissioner 751-3243

Administration and Regulatory Policy Division

Wess Henderson, Director 751-7435
Beth Oetting
Manager-Human Resources 751-5606
Robert Boone, Legislative Coordinator . . . 522-8708
John Hanauer
Manager-Information Services 522-2453
EFIS Toll-Free Help Desk. 1-866-365-0924
Gay Fred, Manager-Consumer Services . . . 751-3160
Consumer Services Toll-Free
Hotline. 1-800-392-4211
Kevin Kelly
Public Information Administrator 751-9300
Gregg Ochoa
Public Information Coordinator 522-2760

General Counsel Division

Joshua Harden, General Counsel 751-7504
Morris Woodruff
Secretary/Chief Regulatory Law Judge . . 751-2849
Kim Happy, Manager-Data Center 522-6225

Regulatory Review Division

Cherlyn Voss, Director 751-3966
Natelle Dietrich, Director of Tariff, Safety,
Economic & Engineering Analysis 751-7427

Bob Schallenberg, Director of Audits, Accounting &
Financial Analysis 751-7162
John Van Eschen
Manager-Telecommunications 751-5525
Blake Eastwood
Manager-Manufactured Housing. 526-2833
Manufactured Housing Toll-Free
Hotline. 1-800-819-3180
Jim Busch, Manager-Water & Sewer 751-7529
Dan Beck
Manager-Engineering Analysis Section . . 751-7522
John Rogers, Manager-Energy Resource
Analysis Section. 751-7524
Bob Leonberger
Manager-Safety/Engineering Section . . . 751-3456
Tom Imhoff
Manager-Tariff/Rate Design Section . . . 751-7471
Mike Scheperle
Manager-Economic Analysis Section . . . 751-5054
David Murray
Manager-Financial Analysis 751-9160
Mark Oligschlaeger, Manager-Auditing . . . 751-7443
David Sommerer
Manager-Procurement Analysis 751-4356
Lisa Kremer, Manager-Engineering &
Management Services 751-7441

Staff Counsel Division

Kevin Thompson, Chief Staff Counsel . . . 751-6514

MISSION



The Missouri Public Service Commission (Commission or PSC) regulates investor-owned public utilities operating in Missouri. The PSC has the statutory responsibility for ensuring that customers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the companies' shareholders with the opportunity to earn a reasonable return on their investment. The PSC must balance a variety of often competing private interests to ensure the overall public interest.

Jurisdiction and Goals

The Missouri Public Service Commission was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. The Commission regulates investor-owned electric, natural gas, steam, water and sewer utilities in Missouri. The Commission also has limited jurisdiction over telecommunications providers in the state. In addition, the Commission regulates the operational safety of the state's rural electric cooperatives and municipally owned natural gas utilities. The Commission also regulates manufacturers and dealers of manufactured homes and modular units, and enforces initial home or unit installation.

The Commission oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives, municipally owned electric utilities, investor-owned water and sewer utilities and public water supply districts. Under federal law, the Commission acts as a mediator and arbitrator of local telephone service disputes regarding interconnection agreements.

Virtually every Missouri citizen receives utility service—whether it is electric, natural gas, water, sewer or telecommunications—from a company regulated in some manner by the Commission. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and ensure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the Commission must assure the rate paying public that quality services will be available on a nondiscriminatory basis at just and reasonable rates.

Commissioners

The Commission consists of five commissioners who are appointed by the governor with the advice and consent of the Missouri Senate.

The governor designates one member as the chairman who serves in that capacity at the pleasure of the governor.

Commissioners are appointed to six-year terms. These terms are staggered so that no more than two terms expire in any given year.

The Commission is both quasi-judicial and quasi-legislative. The Commission is responsible for deciding cases brought before it and for the promulgation of administrative rules and enforcement. Many of the Commission's actions or decisions involve hearings of contested cases, which by statute must be transcribed by a court reporter. Hearings are held in a trial-like setting using evidentiary standards under the Missouri Administrative Procedures Act. The Commission must render decisions in a timely manner to afford all parties procedural and substantive due process, and to comply with statutory time limits.

The PSC Staff

The Commission is assisted by a staff of professionals in the fields of accounting, consumer affairs, economics, engineering, finance, law and management. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The PSC Staff participates as a party in all cases before the Commission, conducting audits of the books and records of utilities and making recommendations to the Commission regarding what type of rate increase, if any, should be granted. PSC Staff recommendations, like those filed by other parties to a proceeding, are evaluated by the commissioners in reaching a decision in a complaint case or rate case. The Commission has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of utilities are conducted by the PSC Staff to ensure compliance.

Weekly Agenda Meetings

The Commission holds weekly agenda meetings to discuss various cases, policies and rulemakings, and to issue its decisions. Those meetings are open to the public and are webcast on the Commission's website.

ORGANIZATIONAL FUNCTIONS



Administration and Regulatory Policy Division

Wess Henderson, Director

The Administration and Regulatory Policy Division is responsible for managing the Commission's human and fiscal resources. The division has agency-wide responsibilities with units that are responsible for the annual budget, fiscal services and procurement, human resources and payroll. The Regulatory Policy and Public Information Unit, another unit of the division, develops and distributes information to the media on agency activities, responds to media requests, and provides utility consumer education materials. The Legislative Coordinator, the agency's primary contact person with the General Assembly, is also assigned to this division and assists in responding to constituent inquiries. The division also houses the Consumer Services Unit, the clearinghouse for all utility consumer inquiries. Consumer Services investigates and responds to complaints to ensure

compliance with Commission rules and utility tariffs. When a consumer has an issue that is not satisfactorily resolved after an initial contact with the utility, the consumer may call the Commission consumer hotline (1-800-392-4211) for assistance.



General Counsel Division

Joshua Harden, General Counsel



The General Counsel is authorized by statute to represent the Commission in all actions and proceedings, whether arising under the Public Service Commission Law or otherwise. Attorneys in the General Counsel's Office appear in state and federal trial and appellate courts on behalf of the Commission. The General

Counsel also provides legal advice to the Commission and each Commissioner as requested. When authorized by the Commission, the General Counsel seeks civil penalties from persons or companies that have violated the Public Service Commission Law or the Commission's regulations or orders. Within the General Counsel Division, the Adjudication Department is the Commission's quasi-judicial component. A staff of regulatory judges handles cases from their filing until their resolution. The assigned judge presides over the hearings, rules on objections and motions, and drafts all orders, as directed by the Commission, for that particular case. The Secretary is statutorily responsible for the records of the Commission. The Data Center receives all incoming pleadings and issues all Commission orders. In addition, the Data Center maintains and preserves the official case files, tariffs and other official documents of the Commission.

Also within the General Counsel's Division is the Federal Issues/Policy Analysis Group. This group represents the Commission in various forums related to federal energy issues and also appears before the Federal Energy Regulatory Commission.

ORGANIZATIONAL FUNCTIONS



Staff Counsel Division

Kevin A. Thompson
Chief Staff Counsel

Attorneys of the Staff Counsel's Office represent the PSC Staff in administrative matters before the Commission. The Staff Counsel's Office also provides legal advice to the PSC Staff.

Regulatory Review Division

Cherlyn Voss, Director

The Director of Regulatory Review supervises and coordinates a number of PSC Staff functions including rate cases, complaints, tariff filings, certificate applications, rulemakings and investigatory dockets. The Tariff, Safety, Economic & Engineering Analysis Department and the Audits, Accounting & Financial Analysis Department are a part of the Regulatory Review Division.



Natelle Dietrich

**Director of Tariff, Safety, Economic
& Engineering Analysis**

The Tariff, Safety, Economic & Engineering Analysis Department consists of four units: Energy, Telecommunications, Water and Sewer, and Manufactured Housing. These units support the Commission in meeting its statutory responsibilities by providing technical expertise in safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. These units accomplish their mission by making recommendations to the Commission in the form of expert testimony, formal recommendations and presentations.



Robert Schallenberg

**Director of Audits, Accounting
& Financial Analysis**

The Audits, Accounting & Financial Analysis Department consists of five units which provide expertise to the Commission in the areas of utility accounting, auditing, engineering, finance, management and natural gas procurement. Staff members perform audits, examinations, analyses and review the books and records of the utilities providing service in Missouri. These employees express their conclusions and findings in the form of expert testimony and recommendations that are filed with the Commission. These units are also responsible for investigating and responding to consumer complaints and making recommendations to the Commission regarding their resolution.



PSC HISTORY



“A Public Service Commission is one of the necessities of the hour. The creation of such a commission is a progressive step which, in view of past experiences, every state must take,” Missouri Governor Elliott Major said during his inaugural address delivered on January 13, 1913.

That same year, Major would sign into law, a bill passed by the 47th General Assembly which created the Missouri Public Service Commission. The bill was sponsored by Carroll County Senator William Busby.

The Public Service Commission, which replaced the Board of Railroad and Warehouse Commissioners, began its work on April 15, 1913. In 2013, the Commission began its second century of serving the citizens of our state.

John M. Atkinson, an attorney from Doniphan, Missouri, was named as the Commission's first Chairman, serving in that capacity until May 1, 1916. Joining Atkinson on the first Commission was attorney John Kennish, electrical engineer Howard B. Shaw and Frank Wightman, a former member of the Board of Railroad and Warehouse Commissioners. A fifth Commissioner, attorney William Woerner, would join the agency almost three months after the other four Commissioners had been appointed.

At the close of 1913, there were 877 corporations,

municipalities and individuals engaged in serving the public in some capacity that, by operation of the Public Service Commission Law, placed them under the jurisdiction of the Commission.

Early in its creation, consumers saw their utility rates drop. That changed with World War I. The Commission's 1919-1920 annual report noted that unfortunately, the war came soon after regulation by the State Commission was established, resulting in necessary and unavoidable increases in rates by the Commission. This, the report noted, brought criticism of the State Commission Act, and a demand for its repeal from certain quarters not altogether fair and unprejudiced. The report said that the demand now most frequently heard was for a return to the old system of municipal regulation, but the report said that would be a backward and unfortunate step for the people of the State to take.

Prices of labor and materials continued their upward movement until 1921. During 1923-24, the Commission secured a series of rate reductions. The Commission noted in its annual report that “the cost of service to the public is, of course, important, but the quality of service is equally important”.

The role of the Commission expanded in 1927 with passage of the motor bus law which took effect in July of that



Past and present PSC Commissioners Steve Stoll, Duncan Kincheloe, William D. Steinmeier, Patricia Perkins, Kevin Gunn, Larry Dority, Allan Mueller, Terry Jarrett, M. Dianne Drainer, Bill Kenney, Jim Fischer, Karl Zobrist, Willard Reine, Robert Clayton and Robert Kenney.

Photo by Mark Hughes

PSC HISTORY

year. The Commission's duties increased again in the early 1930s when the agency regulated motor freight carriers. In the late 30s, the Commission also asserted its jurisdiction over freight forwarding or car loading companies operating in Missouri. On July 1, 1957, the Commission set up its Railroad Safety Department whose purpose was to protect the health and welfare of the employees, passengers and public on railroads in the State.

The mid-1950s saw a rapid expansion of electric plant investment in Missouri. The Commission's 1956-57 annual report noted that such investment had increased during the past 10 years by approximately 248 percent; the use of the service by the public had increased by that much or more. The report also noted that air conditioning had produced an increasingly heavy summer load for the utilities in recent years.

From 1951 to 1960, gas utilities, a Commission annual report noted, expanded materially. The number of million cubic feet (MCF) sold increased by 77 percent; income from gas sales increased by 122 percent; investment in plant physical property increased by 169 percent and the number of consumers increased by 31 percent.

The Commission's 1963-64 annual report acknowledged Missouri's first expanded direct distance dialing telephone service. It was offered in Springfield in December 1964. This new service, the report stated, allows telephone users to dial many of their calls directly, instead of asking an operator to handle them. Also in the 1960s, legislation was signed into law which gave regulatory powers over privately-owned sewer utilities to the Commission.

In the early 1970s, the Commission was certified by the U.S. Department of Transportation as the authority governing intrastate natural gas pipeline safety in Missouri. In addition, the Missouri Natural Gas Pipeline Safety code was amended to include criteria for pipeline corrosion control.

Commission jurisdiction over the manufacturers and dealers of manufactured homes and modular units started in 1973 with the passage of legislation creating a program for enforcing safety standards covering mobile homes and recreational vehicles manufactured or sold in Missouri. A portion of the 1973 law required that the Missouri Division of Health regulate the proper anchoring of mobile homes. That responsibility was shifted to the Commission under a bill which was passed in 1976.

A number of things occurred during the late 1970s at the Commission. The agency opened consumer services offices in Kansas City and St. Louis; activated a toll-free telephone line dubbed the "Consumer Hotline"; and proposed a rule which set up strict procedures utilities must follow before gas, electric or water service could be terminated during the winter months. That rule, in effect since 1977, is known as the Cold Weather Rule.

The 1980s found the Commission addressing the winds of change regarding telecommunications. On January 1, 1984, the telecommunications industry changed dramatically with the federal court ordered break-up of AT&T. In 1986, Missouri legislation was passed which deregulated mobile, paging and cellular telephone service and by the mid-1980s, competition had started in the public pay phone market.

The challenge of determining prudent nuclear power plant construction costs faced the Commission in 1984 with rate cases filed by Arkansas Power and Light Company, Union Electric and Kansas City Power & Light Company.

In March 1985, the Commission rendered its decision in Union Electric's rate case to include its Callaway Nuclear Power Plant. The Commission would decide Kansas City Power & Light Company's rate case regarding its Wolf Creek Nuclear Power Plant the following April.

Also in 1985, legislation was passed and signed into law which established the Division of Transportation under the Department of Economic Development to handle transportation matters (bus, truck, railroad) previously handled by the Commission. For the first time since 1913, the Commission no longer regulated railroads operating in the state.

Further deregulation of the telecommunications industry in Missouri came in 1987 when House Bill 360 took effect. The Commission's 1987 annual report noted that the new statutory framework was designed to give the Commission the necessary flexibility to manage the transition of the telecommunications industry to a more competitive environment.

The Commission focused its attention on a re-examination of its natural gas distribution system rules after a series of natural gas incidents during the 1988-89 heating season.

On February 24, 1989, the Commission issued an emergency rule requiring all gas corporations and municipal gas systems to immediately inspect unprotected steel service lines. In May of that same year, the Commission proposed a major revision of its natural gas pipeline safety rules. In addition, legislation was enacted by the General Assembly which clarified and strengthened the Commission's jurisdiction over municipally-operated natural gas systems.

In December 1992, the Commission issued final rules which required electric companies in the state to develop plans examining the most efficient and cost-effective way to provide electric service in the future.

The mid-1990s saw the addition of new telephone area codes in Missouri. In 1996, the 573 area code was introduced. It was followed by the 660 area code in 1997 and the 636 area code in 1998. Telecommunications technology and the medical community joined hands in Missouri in May 1995, making telemedicine a reality for thousands of rural Missourians. In 1996, a law took effect which permitted flexible regulation of competitive telecommunications companies while also ensuring that customers paid reasonable charges for their service.

As the 20th century came to a close, Y2K was the buzz word. The Commission met that challenge by thoroughly reviewing, summarizing and compiling data received by utility companies and filing reports that detailed utility preparedness. During the evening hours of December 31, 1999, and the early morning hours of January 1, 2000, no Y2K related service disruptions occurred as utilities transitioned into the next millennium.

Further changes to the Commission's Cold Weather Rule occurred in 2004. The Commission provided a higher level of protection for those customers who needed help paying

their heat-related utility bills. The new provisions included a winter disconnect moratorium for registered elderly and disabled customers who meet certain income guidelines and make a minimum payment. The Commission also changed the temperature moratorium from 30 to 32 degrees for all customers.

The Cold Weather Rule was again addressed two years later when high wholesale natural gas prices led to the Commission implementing an emergency amendment providing more lenient payment terms for reconnection of service or to avoid disconnection of service for nonpayment for those customers who defaulted on a previous Cold Weather Rule payment agreement.

The role of the Commission's Manufactured Housing and Modular Unit Program expanded in 2004 under a law which required the Commission to license manufactured home installers, inspect home installations, adopt installation standards and administer a process to resolve disputes among consumers, installers, dealers and manufacturers.

Due to a number of customer outages from severe storms, the Commission held roundtables in June of 2007 to review electric utility storm outage planning, restoration and general service reliability. The following year, the Commission adopted extensive rules setting standards for electric companies to follow regarding vegetation management, infrastructure inspections and service reliability.

In 2008, the Missouri General Assembly passed and the governor signed a law which established a Hot Weather Rule,

in effect each year from June 1 to September 30. During this time, natural gas or electricity providers are prohibited from disconnecting service to residential customers on days when either the temperature is expected to rise above 95 degrees or the heat index is expected to rise above 105 degrees.

The first decade of the new millennium saw continued change regarding the regulation of telecommunications providers in Missouri. The Commission's 2009 annual report noted that the Commission had limited oversight authority for most landline or wireline telecommunications services which included local telephone services, interexchange telecommunications services, interconnected voice over the Internet protocol (VoIP) services, video services, payphone services and shared tenant services.

Being energy efficient and conserving energy are important pieces to consider when discussing Missouri's energy future. In 2009, the Missouri legislature passed and the governor signed the Missouri Energy Efficiency Investment Act (MEEIA) which is designed to encourage investor-owned electric utilities to develop and implement energy efficiency programs. Commission rules took effect in May 2011.

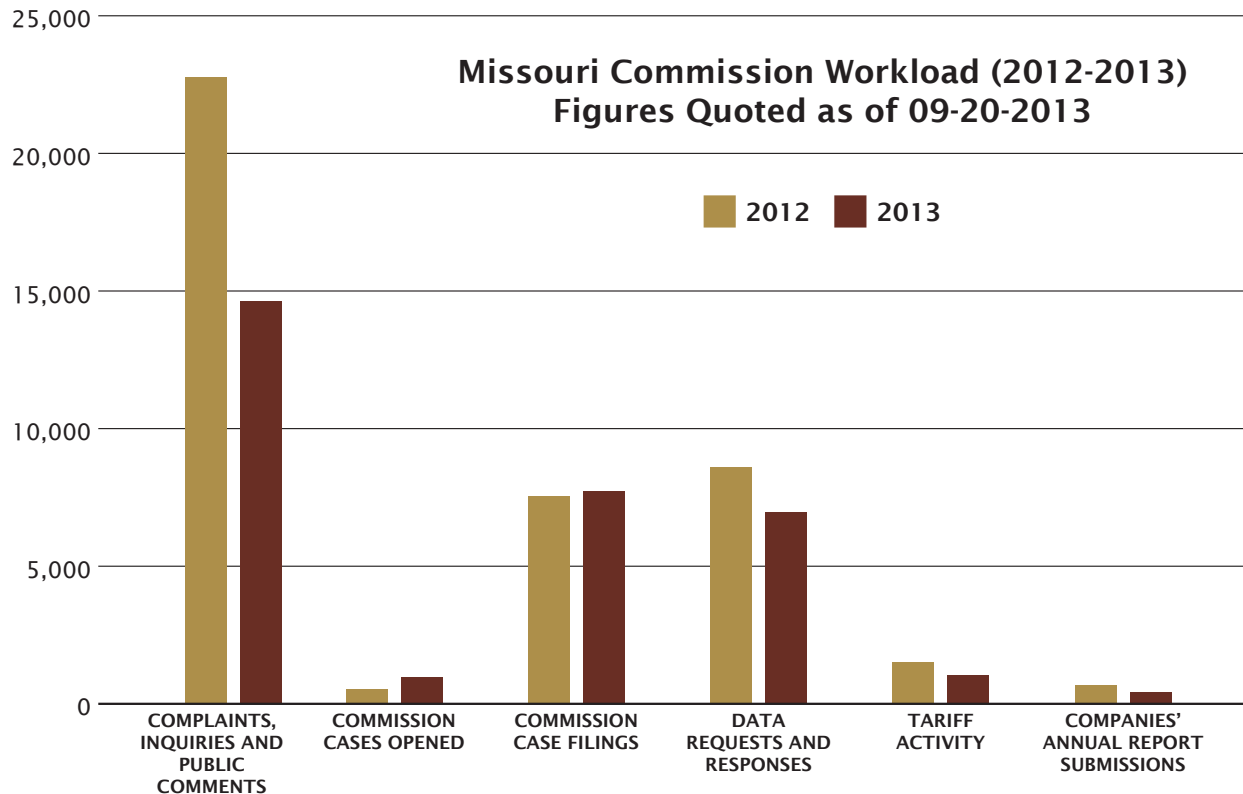
While the utility landscape has certainly changed since 1913, the Commission's mission remains the same as it was when the Commission heard its first case and rendered its first decision 100 years ago. The Commission continues its work to ensure Missouri's rate paying customers receive safe and adequate service at just and reasonable rates.

Source: Public Service Commission Annual Reports





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ELECTRIC Rate Cases Decided

Ameren Missouri

(Case No. ER-2012-0166)

On February 3, 2012, Ameren Missouri (Ameren) filed an electric rate case with the Commission seeking to increase annual electric revenues by approximately \$375.6 million. According to an Ameren press release, key components of the rate request were: 1) Investments made primarily to improve the reliability of aging infrastructure and to comply with environmental and renewable energy regulations; 2) Higher net fuel costs for power plants; 3) Higher costs for the company's recently proposed energy efficiency programs; and 4) Additional cost increases, including those to meet renewable energy requirements, material costs and employee benefits.

The Commission granted Ameren an electric rate increase of approximately \$259.6 million in an order issued on December 12, 2012.

The rate case decision marked the state's historic transition from an electric system based on load growth to one founded on energy efficiency and new resources to help consumers control their utility costs.

Commission approval of the Ameren order implemented energy efficiency changes for the first time under the Missouri Energy Efficiency Investment Act (MEEIA).

Kansas City Power & Light

(Case No. ER-2012-0174)

On February 27, 2012, Kansas City Power & Light (KCPL) filed an electric rate case with the Commission seeking to increase annual electric revenues by approximately \$105.8 million. According to the company's filing, KCPL's cost of operation, maintenance, fuel and purchase power, net of off-system sales margins, and additional investments in plant and expenses have resulted in a revenue deficiency.

The Commission granted KCPL an electric rate increase of approximately \$67.4 million in an order issued on January 9, 2013.

KCP&L-Greater Missouri Operations Company

(Case No. ER-2012-0175)

On February 27, 2012, KCP&L-Greater Missouri Operations Company (GMO) filed an electric rate case with the Commission seeking to increase annual electric revenues by approximately \$83.5 million. According to the company's filing, GMO's cost of operation, maintenance, fuel and purchase power, net of off-system sales margins,

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and additional investments in plant and expenses have resulted in a revenue deficiency.

The Commission granted GMO an electric rate increase of approximately \$47.9 million in an order issued on January 9, 2013.

The decision was aimed at empowering customers to control their energy costs. The decision continued the Commission's transition from an electric system based on load growth to one founded on energy efficiency and resources to help consumers control utility costs. The decision was designed to give electric customers of GMO new tools under MEEIA to control their energy bills.

The Empire District Electric Company (Case No. ER-2012-0345)

On July 5, 2012, The Empire District Electric Company (Empire) filed an electric rate case with the Commission seeking to increase annual electric revenues by approximately \$30.7 million. Empire included, as part of its request, an interim rate increase of approximately \$6.2 million. The Commission denied that request in an order issued on October 31, 2012.

The Commission granted Empire an electric rate increase of approximately \$27.5 million in an order issued on February 27, 2013.

Other Electric Utility Activity

Fuel and Purchase Power Prudence Reviews

Three investor-owned electric utilities - Ameren, Empire and GMO - have Commission-approved fuel adjustment clauses (FAC) through which the electric utility recovers from or refunds to customers 95 percent of fuel and purchased power costs, net of off-system sales, which have been under-collected or over-collected relative to a base amount set in the utility's last general rate case.

In fiscal year 2013, the PSC Staff completed prudence reviews of fuel and purchased power related costs included in the fuel adjustment clauses of Empire and GMO. The PSC

Staff investigated each utility to determine whether the conduct of the company's decision-makers was reasonable at the time, under all the circumstances, considering that the company had to address fuel-purchased power related issues prospectively rather than relying on hindsight. As a result of these prudence reviews, the PSC Staff found no imprudence by the decision-makers of Empire or GMO.

On June 5, 2013, the Western District Court of Appeals sent its opinion and mandate in Case No. WD75403, affirming the Commission's Order in the first prudence review period - March 1 to September 30, 2009 - of Ameren Missouri's FAC (Case No. EO-2010-0255), finding Ameren Missouri acted imprudently when it excluded revenues derived from two power sales agreements from flowing through its fuel adjustment clause, and required the utility to refund to its ratepayers approximately \$17.1 million.

Because it was waiting on the Western District Court of Appeals' opinion and mandate in Case No. WD75403, the Commission delayed a decision in Case No. EO-2012-0074 concerning the PSC Staff's proposed disallowance of approximately \$26.3 million, plus interest, for Ameren Missouri's excluding revenues derived from the same two power sales agreements from flowing through its fuel adjustment clause during the second prudence review period (October 1, 2009 to May 31, 2011).

Electric Utility Resource Planning Filings

On April 9, 2012, KCPL and GMO each filed (Case Nos. EO-2012-0323 and EO-2012-0324, respectively) resource plans in accordance with Chapter 22 Electric Utility Resource Planning.

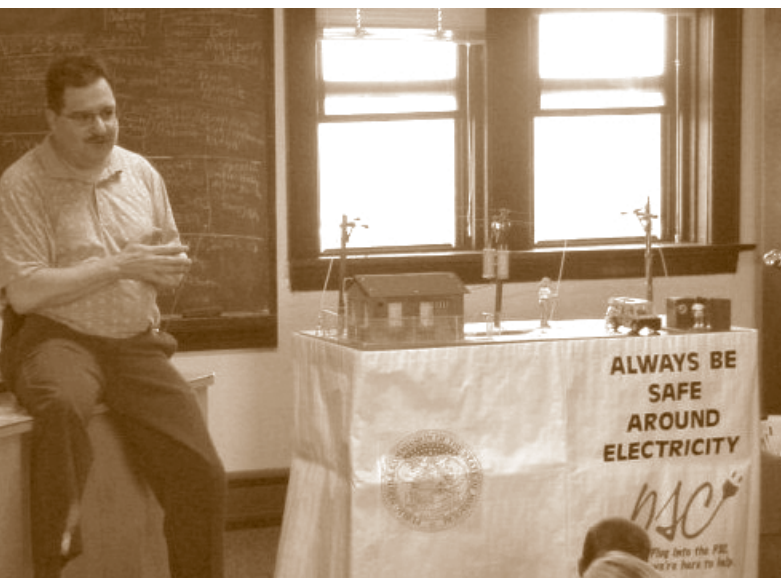
The PSC Staff, the Office of Public Counsel, the Missouri Department of Natural Resources and other interveners filed reports on September 6, 2012, which included alleged deficiencies and concerns identified by each organization. On November 19, 2012, joint filings were made in the respective cases outlining remedies agreed to by signatories to the filings for most - but not all - of the alleged deficiencies and concerns.

On December 19, 2012, the Commission issued its orders regarding the 2012 resource plans of KCPL and GMO, directing KCPL to address the 25 alleged deficiencies and concerns identified as unresolved in the joint filing in its 2013 annual update report and directing GMO to address the nine alleged deficiencies and concerns identified as unresolved in the joint filing in its 2013 annual update report.

On June 20, 2013, KCPL and GMO filed their Chapter 22 annual update reports in Case Nos. EO-2013-0537 and EO-2013-0538, respectively.

On April 27, 2012, Ameren filed its Chapter 22 annual update report (Case No. EO-2012-0357). The Missouri Department of Natural Resources filed comments on June 28, 2012. On July 17, 2012, the Commission filed its notice acknowledging Ameren Missouri's annual update report and closed the case.

On July 1, 2013, Empire filed its resource plan in accordance with Chapter 22 Electric Utility Resource Planning (Case No. EO-2013-0547). The PSC Staff, the Office of Public Counsel, the Missouri Department of Natural Resources and other



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interveners have until the end of November 2013 to file reports identifying alleged deficiencies and concerns with the utility's resource plan filing.

Missouri Energy Efficiency Investment Act

The Missouri Energy Efficiency Investment Act (MEEIA), was passed by the Missouri General Assembly and signed into law by Governor Nixon in August 2009.

The purpose of this act is to encourage investor-owned electric utilities to develop and implement demand-side management programs. Rules to implement MEEIA took effect May 30, 2011. The rules provide procedures for filing and processing applications for approval, modification and discontinuance of electric utility demand-side (DSM) programs and for the establishment and operation of demand-side programs investment mechanisms, and also allow for periodic adjustments in customers' rates between general rate cases related to the recovery of costs and utility incentives for investments in demand-side programs.

Filed on December 22, 2011 (Case No. EO-2012-0009), the MEEIA filing of GMO requests approval of 15 demand-side programs and a demand-side program investment mechanism. A non-unanimous stipulation and agreement was filed on October 29, 2012 and approved by the Commission on November 15, 2012. DSM programs' implementation began January 26, 2013, as a result of the Commission's final order in Case No. ER-2012-0175.

A demand-side programs investment mechanism allowed \$18 million annual revenue requirement in GMO's then current general rate case for recovery of demand-side program costs and recovery of fixed operating costs, which will allow the Company to earn a future performance incentive award based on after-the-fact verified energy savings from the programs.

Filed on January 20, 2012 (Case No. EO-2012-0142), the MEEIA filing of Ameren sought approval of 11 demand-side programs and a demand-side program investment mechanism. On August 1, 2012 the Commission approved a unanimous stipulation and agreement approving the programs for implementation beginning January 2, 2013 and a demand-side programs investment mechanism which allowed \$80 million annual revenue requirement in Ameren's then current general rate case (Case No. ER-2012-0166) for recovery of demand-side program costs and recovery of fixed operating costs, and which allowed the Company to earn a future performance incentive award based on after-the-fact verified energy savings from the programs.

Renewable Energy Standards

Implementation of Missouri's renewable energy standards (RES), the result of the November 2008 voter initiative, continues to be an ongoing activity.

Several milestones include the electric utilities offering solar rebates on January 1, 2010; the beginning of the annual generation requirements on January 1, 2012; and the filing of the first annual RES compliance reports that described how each utility complied with the rule on April 15, 2013.

In the filings, the utilities represented that they met the generation requirements with renewable energy credits (RECs) from wind, hydro and landfill gas facilities that

RESIDENTIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Louisiana	8.36	1
Idaho	8.47	2
Washington	8.53	3
Arkansas	9.30	5
Kentucky	9.33	6
Oklahoma	9.43	7
Nebraska	10.02	13
Missouri	10.07	14
Iowa	10.85	20
Kansas	11.17	24
Illinois	11.37	27
U.S. Average	12.38	
New York	17.69	49
Alaska	17.84	50
Hawaii	37.27	51

COMMERCIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	6.83	1
Oklahoma	7.26	2
Washington	7.67	3
Arkansas	7.68	4
Iowa	8.00	7
Missouri	8.16	11
Illinois	8.19	13
Nebraska	8.40	16
Kentucky	8.66	19
Indiana	9.07	22
Kansas	9.13	23
Tennessee	10.29	35
U.S. Average	10.37	
Alaska	14.79	49
New York	15.08	50
Hawaii	34.83	51

INDUSTRIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Washington	4.11	1
Louisiana	4.75	2
Oklahoma	5.03	3
Iowa	5.33	5
Kentucky	5.35	6
Arkansas	5.65	11
Missouri	5.85	14
Illinois	5.91	16
Indiana	6.35	23
Nebraska	6.81	32
Kansas	6.88	33
Tennessee	7.12	35
U.S. Average	7.69	
Massachusetts	12.91	49
Alaska	16.75	50
Hawaii	30.77	51

Source: U.S. Energy Information Administration - 12 months ending December 2012 - Table 5.6.b

are owned by the utility or from facilities that the utility purchases electricity to serve their customers. The filings also represented that most of the solar requirements were being met with RECs purchased from facilities in other states that do not serve Missouri customers. Several parties disputed some aspects of the filings. The Commission closed the 2012 compliance cases but directed parties to file a complaint if there were issues that they want to further pursue.

On January 30, 2013, several parties filed a total of six complaints against the electric utilities on issues related to the renewable energy standard. These six cases were consolidated into two cases with oral arguments being heard on September 12, 2013 in Case No. EC-2013-0377, and a hearing scheduled for October 22, 2013 in Case No. EC-2013-0379.

On July 3, 2013, Governor Jay Nixon signed HB 142 which, effective August 28, 2013, will make several revisions to the renewable energy standard including the phase-out of solar rebates by July 1, 2020 and the implementation of a 60-day process for the Commission to determine if the maximum average retail rate increase has been reached by an electric utility which would result in the solar rebates being suspended. A rulemaking will take place in the next fiscal year to revise the Commission's rules to reflect HB 142.

Under the new 60-day process, GMO filed to suspend its solar rebate tariff on September 4, 2013 in Case No. ET-2014-0059. Hearings in that case are scheduled for October 3-4, 2013. KCPL filed to suspend its solar rebate tariff on September 10, 2013 in Case No. ET-2014-0071. Hearings in that case are scheduled for October 10-11, 2013.

Kansas City Power & Light Company

(Case No. EO-2012-0135)

KCP&L Greater Missouri Operations

(Case No. EO-2012-0136)

On September 30, 2011, Kansas City Power & Light Company and KCP&L Greater Missouri Operations (KCPL & GMO) filed Interim Reports in their respective cases requesting the Commission approve KCPL & GMO's continued participation in the Southwest Power Pool, Inc. (SPP) beyond October 1, 2013. The cases were consolidated.

On May 16, 2013, KCPL & GMO, Staff, the Office of Public Counsel (OPC), SPP and Dogwood Energy, LLC (Dogwood) filed a Stipulation and Agreement. The Empire District Electric Company (Empire), also a party to the case, did not oppose the Stipulation and Agreement. On June 19, 2013, the Commission issued an Order Approving Stipulation and Agreement.

The Empire District Electric Company

(Case No. EO-2012-0269)

On February 3, 2012, Empire submitted an interim report regarding its participation in SPP. In that report, Empire requested the Commission approve continued participation in SPP beyond January 31, 2014.

On August 28, 2013, Empire, on behalf of Empire, Staff, OPC, SPP and Dogwood, filed a Motion for Approval of Stipulation and Agreement. KCPL and GMO, also parties to the case, did not oppose the Stipulation and Agreement.

On September 11, 2013, the Commission issued an Order Granting Motion for Approval of Unanimous Stipulation and Agreement.

Transource Missouri, LLC (Case No. EA-2013-0098)

Kansas City Power & Light Company and KCP&L Greater Missouri Operations (Case No. EO-2012-0367)

On August 31, 2012, Transource Missouri, LLC (Transource), and KCPL & GMO filed an application to transfer certain KCPL & GMO transmission property to Transource and filed an application for a certificate of convenience and necessity (CCN) authorizing Transource to construct, finance, own, operate and maintain the Iatan-Nashua and Sibley-Nebraska City 345 kV electric transmission lines. The transmission projects are regionally-funded high-voltage transmission projects previously approved by the Southwest Power Pool, Inc. (The two cases were consolidated into Case No. EA-2013-0098.)

Transource is a wholly owned subsidiary of Transource Energy, LLC. Transource was established by Great Plains Energy Incorporated, the parent corporation of KCPL & GMO and American Electric Power Company, Inc.

On April 12, 2013, the Staff, Transource, KCPL & GMO, and OPC filed a Stipulation and Agreement resolving all issues except those that may require future Commission action. The Missouri Industrial Energy Consumers, although not a signatory, did not oppose the Agreement.

On August 7, 2013, the Commission issued its Report and Order approving disposition of the applications by settlement, granting the transfer application and granting the application for a CCN.

Entergy Arkansas, Inc., ITC Midsouth, LLC, MidSouth TransCo, LLC, Transmission Company Arkansas, LLC (Case No. EO-2013-0396)

Entergy Arkansas, Inc. (Case No. EO-2013-0431)

On February 14, 2013, Entergy Arkansas, Inc., (EAI) ITC Midsouth, LLC, MidSouth TransCo, LLC, Transmission Company Arkansas, LLC (collectively, Joint Applicants) filed an application outlining a series of steps which will result in the transmission assets of EAI being transferred to an independent transmission company in Case No. EO-2013-0396. EAI does not serve any retail customers in Missouri.

The transaction contemplates that EAI will reorganize and transfer its Missouri transmission facilities to its subsidiary TC Arkansas, which will then become a subsidiary of Mid South Transco, which will be "spun off" and merged with ITC Mid South. EAI's Missouri transmission facilities will be held by TC Arkansas under its new name, ITC Arkansas. The Joint Applicants request the Commission grant ITC Arkansas a CCN. EAI will retain limited distribution facilities in Missouri for the purpose of serving its retail load in northern Arkansas.

On March 21, 2013, EAI filed its Notification of Intent to Change Functional Control of its Missouri Electric Transmission Facilities to the Midwest Independent Transmission System Operator, Inc. [now Midcontinent Independent Transmission System Operator] or Alternative Request to Change Functional Control and Motions for Waiver and Expedited Treatment.

The two cases were consolidated and a hearing was held in June 2013. On August 20, 2013, KCPL & GMO and

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Empire filed a motion requesting that the Commission take administrative notice of filings in Arkansas and Texas to assist the Commission in its deliberations, and further requested that the Commission delay its decision regarding the transfer of assets until the Texas and Arkansas proceedings are resolved. Responses were filed and the Commission continues to consider the requests.

Federal Activity in Electric

Regional Electric Transmission Activity

The Federal Energy Regulatory Commission (FERC) established Regional Transmission Organizations (RTOs) to, among other things, implement regional electric transmission planning. The Commission regularly participates in the transmission planning activities of the two RTOs that span Missouri to ensure their plans enhance the reliability of electric services at reasonable rates to Missouri electric customers and rate payers. The RTOs in Missouri are the Southwest Power Pool (SPP) and the Midcontinent Independent Transmission System Operator (MISO).

Southwest Power Pool

In fiscal year 2013, the SPP, using its Integrated Transmission Planning protocol, conducted studies to determine potential electrical transmission upgrades, generally above 300,000 volts, that would likely be needed in 20 years (ITP20). The Commission was very involved in the ITP20 planning process by assisting in: 1) identifying likely transmission system needs 20 years from now; 2) estimating proposed project costs and benefits; and 3) determining how those estimated costs and benefits would be allocated among and recovered from the utilities and their respective ratepayers in the SPP region.

The finalized ITP20 report was approved by the SPP Board of Directors on July 30, 2013, and included three projects located within Missouri, one of which is outside of the SPP footprint. None of the projects identified in the ITP20 report are currently being built. The Commission continues to express concern that project costs to Missouri ratepayers outweigh the benefits. The Commission is involved in ongoing discussions with SPP and SPP stakeholders to ensure Missouri ratepayers will receive benefits commensurate to the projects' costs.

In FERC Order 1000, RTOs are required to cooperatively plan transmission projects that cross RTO boundaries. The Commission Staff is actively involved in interregional project planning meetings.

To protect the economic and electric transmission reliability interests of Missouri, the Commission Staff regularly attend and participate in:

- the SPP Project Cost Working Group meetings to ensure projects are constructed using good utility practice and to ensure cost overruns are constrained;
- the Cost Allocation Working Group, which advises the

Commissioners and the Regional State Committee (made up of state utility commissions) on cost allocations methodologies;

- the Economic Studies Working Group, which prepares study parameters used in forecasts to determine future projects' needs;
- the Regional Tariff Working Group, which writes revisions to the SPP Open Access Transmission Tariff; and,
- the Seams Management Working Group, which develops procedures to manage the relationship between other regional transmission groups and non-SPP affiliated utilities.

Midcontinent Independent Transmission System Operator

In December 2012, the MISO Board of Directors approved the 2012 MISO Transmission Expansion Plan (MTEP12), a planning process that determines electric transmission expansion and upgrade projects that may be needed in 20 years. The Commission with and through the Organization of MISO States (OMS) was heavily involved in that planning process. This MTEP contains 242 new projects. OMS and the Commission Staff advocated diligently recommending that MISO define the proper portfolio of transmission projects, and that MISO properly calculate both the costs and the benefits related to the planned projects.

To protect Missouri's interests, the Commission Staff participated in MISO's Planning Advisory Committee (PAC) and Regional Expansion Criteria Benefits (RECB) Work Group meetings. The PAC deals with transmission project planning for the MISO footprint. The RECB develops criteria for planning which transmission projects should be constructed in the MISO footprint. During fiscal year 2013, the Commission Staff helped refine the scenario analysis used to determine which transmission projects should be built.

MISO and SPP are renegotiating their Joint Operating Agreement (JOA) which governs their *inter*-RTO electrical exchanges. Because the border between MISO and SPP runs through Missouri, the outcome of these negotiations will affect the amount Missouri utilities pay for energy transactions between the two RTOs and the price Missouri utilities would receive when they sell energy through the RTOs. The Commission Staff has been actively involved in this process as described below.

The Commission Staff working with the OMS:

- Monitored and responded to MISO's FERC Order 1000 regional and interregional compliance filings, Docket No. ER13-187;
- Sought to enhance OMS's Federal Power Act Section 205 filing rights (FERC Docket No. ER13-708) and authorize an expanded role for OMS in determining transmission cost allocation methodologies in MISO;
- Provided comments to FERC's Natural Gas/Electric Coordination effort (FERC Docket No. AD12-12) and actively participated in numerous meetings.

Federal Energy Regulatory Commission (FERC) Dockets

FERC Order 1000

FERC Order 1000 is a federal administrative agency rule reforming federal electric transmission planning and cost allocation requirements for planning regions including American Electric Cooperative, Inc. (AECI), SPP and MISO.

FERC Order 1000: 1) requires neighboring planning regions to jointly determine, plan and ultimately construct transmission projects that would jointly benefit both planning regions in a manner that would be more cost effective than if each planning region individually designed such projects; 2) requires planning regions to take federal, state and local public policies into consideration when planning transmission projects; and 3) removes the Federal Right of First Refusal (RoFR) from incumbent transmission owners when certain transmission projects are being planned and assigned.

Missouri is in an unusual position in that an RTO boundary (or seam) splits the state between SPP, MISO and AECI. To ensure Missouri and its electric ratepayers interests are represented, the Commission Staff participates in SPP and MISO FERC Order 1000 working groups.

In SPP, the Commission Staff participates in the following FERC Order 1000 committees: Seams Steering Committee, Strategic Planning Committee Task Force on FERC Order 1000, Seams FERC Order 1000 Task Force, Order 1000 Draft Tariff Task Force, and Regional Tariff Working Group.

In MISO, the Commission Staff participates in the following Order 1000 committees: Order 1000 "Right of First Refusal" Task Team, Planning Advisory Committee, and Regional Expansion Cost Benefit Working Group.

Compliance filings by MISO and SPP were accepted and rejected in part by the FERC. Both MISO and SPP are preparing compliance filings to correct the deficiencies found by FERC in their original compliance filings.



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ELECTRIC STATISTICS Calendar Year 2012 (Missouri Jurisdictional)

Company Name	Operating Revenues	MWhs Sold	Residential Customers	Total Customers
Empire District Electric Co., The	\$ 416,041,419	4,023,549	124,808	148,281
Kansas City Power & Light Co.	\$ 707,561,090	8,580,715	238,776	270,990
KCP&L-GMO-L&P	\$ 173,659,695	2,120,880	57,898	65,712
KCP&L-GMO-MPS	\$ 552,734,055	5,959,433	216,602	247,633
Ameren Missouri (1)	<u>\$2,836,180,604</u>	<u>36,745,908</u>	<u>1,036,216</u>	<u>1,193,671</u>
Totals:	<u>\$4,686,176,863</u>	<u>57,430,485</u>	<u>1,674,300</u>	<u>1,926,287</u>

Source: MoPSC FERC Form 1, 2012 Annual Reports (Missouri Jurisdictional)
(1) Union Electric Company d/b/a

STEAM STATISTICS Calendar Year 2012 (Missouri Jurisdictional)

Company Name	Operating Revenues	MMBtus Sold	Residential Customers	Total Customers
KCP&L-GMO	\$15,161,574	2,606,157	0	5
Veolia Energy Kansas City, Inc.	<u>\$18,821,159</u>	<u>1,621,900</u>	<u>0</u>	<u>58</u>
Totals:	<u>\$33,982,733</u>	<u>4,228,057</u>	<u>0</u>	<u>63</u>

Source: 2012 Annual Report

NATURAL GAS STATISTICS Calendar Year 2012 (Missouri Jurisdictional)

Company Name	Operating Revenues	Mcfs Sold	Residential Customers	Total Customers
Liberty Utilities (1)	\$ 45,782,599	7,481,248	48,329	55,293
Empire District Gas Co., The	\$ 39,462,552	7,392,616	37,897	43,318
Laclede Gas Company	\$ 669,800,872	77,316,165	597,311	638,152
Missouri Gas Energy (2)	\$ 439,699,276	61,827,047	438,707	501,373
Missouri Gas Utility, Inc. (3)	\$ 3,736,009	291,703	2,448	2,545
Southern Missouri Natural Gas (4)	\$ 15,447,024	2,139,703	5,012	10,911
Ameren Missouri (5)	<u>\$ 139,360,937</u>	<u>15,591,958</u>	<u>113,545</u>	<u>126,782</u>
Totals:	<u>\$1,353,289,269</u>	<u>172,071,655</u>	<u>1,243,249</u>	<u>1,378,374</u>

Source: MoPSC FERC Form 2, 2012 Annual Report (Missouri Jurisdictional)
(1) Liberty Utilities formerly Atmos Energy Corporation
(2) a division of Southern Union Company
(3) a subsidiary of Summit Utilities, Inc.
(4) Southern Missouri Gas Company, L.P. d/b/a
(5) Union Electric Company d/b/a

NATURAL GAS

Laclede Gas Company

(Case No. GR-2013-0171)

On December 12, 2012, Laclede Gas Company (Laclede) filed revised rate schedules designed to increase its annual revenues by approximately \$58.4 million including amounts currently being recovered by Laclede through its Infrastructure System Replacement Surcharge (ISRS). A typical residential customer's bill would have increased by approximately \$4.34 per month if Laclede was granted 100 percent of its requested increase.

Laclede stated that the proposed increase was needed to cover increased costs relating to certain operating expenses and non-ISRS related investments. This included a new information system installed by Laclede. Laclede's filing also reflected a different proposal concerning its rate design.

A Stipulation and Agreement between the parties was filed on May 31, 2013, which resulted in no general rate increase. The ISRS amount of approximately \$14.8 million already included in customer bills would be reflected in the volumetric rate and the ISRS charge was reset to \$0.00. The Stipulation and Agreement maintained Laclede's current funding levels for low-income programs. The Commission approved the Stipulation and Agreement on June 26, 2013 to take effect on September 1, 2013.

Laclede Gas Company/Missouri Gas Energy Merger

(Case No. GM-2013-0254)

On January 14, 2013, Southern Union Company, d/b/a Missouri Gas Energy (MGE), The Laclede Group, Inc. and Laclede Gas Company (Laclede) filed a Joint Application for authority to sell certain Missouri MGE assets to Laclede and, in connection therewith, certain other related transactions (sale) and for Commission authority to obtain the funds necessary to finance the sale. Laclede would be the surviving entity after the sale.

On July 2, 2013, a Unanimous Stipulation and Agreement (Agreement) was filed which was approved by the Commission on July 17, 2013. The Agreement set forth numerous conditions on the sale which included a rate moratorium on Laclede's service territory where no rate increase request could be filed prior to October 1, 2015.

The Agreement also included safeguards designed to protect the customers of Laclede and MGE from any adverse impacts from the sale. As part of the Agreement, Laclede agreed to maintain MGE's current tariffs. On August 2, 2013, Laclede filed two tariff sheets requesting approval of its MGE tariff formal adoption notice and title sheet with an effective date of September 1, 2013, in compliance with the Commission's Order. This transaction affects approximately 1.3 million Missouri customers.

Missouri Gas Energy

(Case No. GA-2013-0483)

On April 30, 2013, MGE filed an application requesting Commission approval for a certificate of convenience and

necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a gas transmission line and a distribution system to provide gas service in Newton County, Missouri. The requested area provides natural gas service to a farming operation known as MOARK, LLC as well as to additional customers. The requested area is an expansion of MGE's existing certificated area. The Commission approved this request on June 19, 2013.

Summit Natural Gas of Missouri, Inc.

(Case No. GA-2013-0404)

On February 27, 2013, Summit Natural Gas of Missouri, Inc. (SNG) filed an application with the Commission requesting Commission approval for a CCN authorizing it to construct, install, own, operate, control, manage and maintain a gas transmission line and a distribution system to provide gas service in portions of Pettis and Benton counties. The requested area is adjacent to SNG's existing certificated area. The Commission approved this request on May 1, 2013.

Missouri Gas Energy

(Case No. GA-2013-0270)

On November 12, 2012, MGE filed an application with the Commission requesting Commission approval for a CCN authorizing it to construct, install, own, operate, control, manage and maintain a gas transmission line and a distribution system to provide gas service in portions of Lawrence County, Missouri. The requested area is an expansion of MGE's existing certificated area. The Commission approved this request on January 9, 2013.

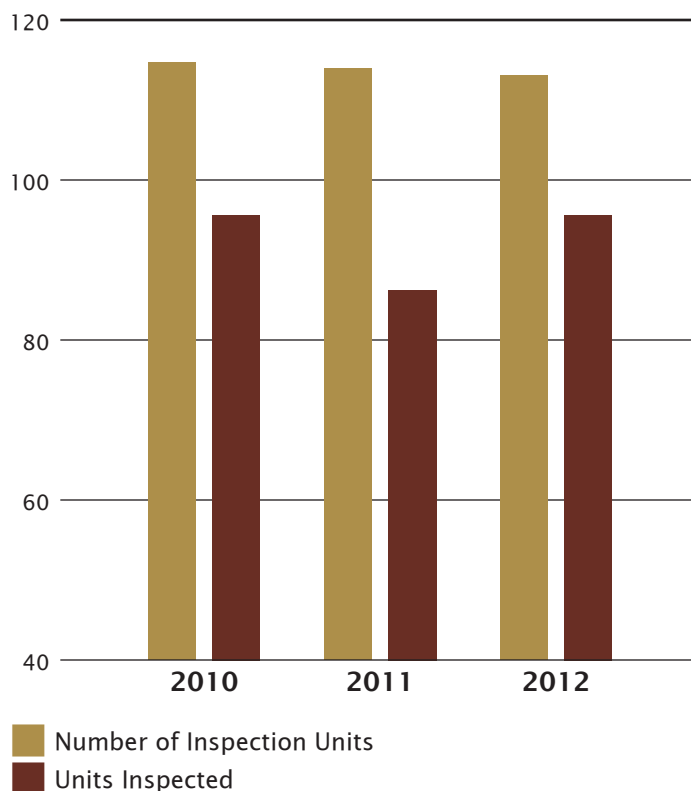
Infrastructure System Replacement Surcharges (ISRS)

The Commission implemented a rule on May 30, 2004 establishing the definitions, parameters and procedures relevant to the filing and processing of petitions pertaining to an ISRS, including the information that a natural gas utility must provide when it files a petition to establish, change or reconcile an ISRS. This rule was necessitated by the enactment of HB 208, signed by the governor on July 16, 2003, making it effective August 28, 2003. The rule helps the Commission administer the enacted statute, which requires the Commission to fulfill its statutory duties within the 120-day timeframe set out in the law.

Natural gas utilities may file for an ISRS, which allows them to establish a surcharge to provide for the recovery of costs for eligible infrastructure replacements. The ISRS, on an annualized basis, must produce ISRS revenues of at least the lesser of one-half of one percent of the natural gas utility's base revenue level approved by the Commission in its most recent general rate case or \$1 million, but not in excess of 10 percent of the natural gas utility's base revenue level approved by the Commission in its last general rate proceeding. There currently are four natural gas utilities that utilize this rate.

REGULATORY ACTIVITY

Missouri Jurisdictional Natural Gas Operator Inspection Units — Gas Safety



Natural Gas Pipeline Safety Program

The Commission has jurisdiction over all intrastate natural gas pipeline operators in the state which includes five intrastate transmission pipelines, six investor-owned natural gas distribution utilities (all of which also have intrastate transmission pipelines and all of which have multiple operating districts/inspection units), 41 municipally-owned natural gas distribution systems (one of which also has an intrastate transmission pipeline), one gas distribution system owned and operated by a private company on a U.S. Department of Defense facility at Fort Leonard Wood, and three pipeline systems that supply landfill gas directly to customers including a high school, a correctional facility gas-fired electric generation turbine and a commercial customer.

PSC Staff natural gas safety unit members (Safety Staff) are in the field throughout the year evaluating these pipeline systems. During the 2012 calendar year, Safety Staff conducted 89 comprehensive office and field inspections, follow-up inspections, construction inspections and other investigations. These inspections/investigations resulted in Safety Staff being in the field over 680 inspection-person days.

The Commission's natural gas pipeline safety program is carried out under a cooperative agreement with the U. S. Department of Transportation – Pipeline and Hazardous Materials Safety Administration. As a part of this program, the Commission has adopted the applicable federal pipeline

safety regulations, including 49 CFR Part 192, that make up the “minimum” federal safety standards applicable to natural gas pipelines.

The Commission continues to take a proactive approach to pipeline safety in Missouri with pipeline safety rules, which are in many cases, more stringent than current federal regulations. This approach includes looking at and extensively evaluating various pipeline replacement programs, leak survey inspections, leak investigations and classifications, corrosion control of steel pipelines, and other pipeline safety programs.

Intrastate natural gas pipeline operators are divided into 113 “inspection units” for purposes of the Program’s annual comprehensive inspections, which include almost 30,000 miles of natural gas distribution mains, over 900 miles of intrastate natural gas transmission pipelines and over 1.5 million service lines.

Incident Investigation

Missouri Gas Energy (MGE)

(Case No. GS-2013-0400)

On February 19, 2013, there was a natural gas explosion and fire at JJ’s Restaurant located at West 48th Street and Bellevue Avenue in Kansas City, Missouri. The explosion and fire resulted in one fatality, several serious injuries and millions of dollars in damage.

Safety Staff began their investigation the day of the incident. Safety Staff members have spent approximately 80 person-days conducting on-site investigations and interviews. Safety Staff have conducted interviews with over 60 individuals as part of its investigation. In addition, information has been requested or obtained from MGE, the locating company, the Kansas City Fire Department, the Kansas City Police Department, Heartland Midwest, Missouri One Call Systems Inc., Vermeer, and others.



REGULATORY ACTIVITY

Safety Staff will complete its Gas Incident Report following the completion of its investigation. The completed Gas Incident Report will explain in detail the facts of the incident, as well as Safety Staff's analysis, conclusions and recommendations. The focus of the Safety Staff's investigation and its resulting Gas Incident Report is to determine whether MGE was in compliance with applicable Commission regulations, and any applicable State safety standards.

Procurement Analysis

Natural Gas Actual Cost Adjustment (ACA) Activities

There are six natural gas local distribution companies (LDC) serving Missouri – Ameren, Liberty Utilities, Empire District Gas Company (Empire Gas), Laclede, MGE and SNGMO.

The Procurement Analysis Unit conducts an annual Actual Cost Adjustment (ACA) review at the end of each ACA period for each LDC. A primary purpose of the ACA process is to reconcile the company's actual gas costs with what it charged customers (its billed revenues). In its purchased gas adjustment (PGA) filings, the company estimates its gas costs for the upcoming year. In the ACA, the estimate is reconciled with the actual prudently incurred cost of gas. In this function, the PSC Staff in Procurement Analysis reviews the LDC's true-up of gas costs for the period under review. A comparison of billed revenue recovery with actual gas costs will normally yield either an over-recovery or under-recovery of the ACA balances.

Another purpose of the ACA process is to examine the reliability of the LDC's gas supply, transportation, and storage capabilities. For its analysis, the PSC Staff reviews the estimated peak day requirements and the capacity levels to meet those requirements; peak day reserve margin and the rationale for this reserve margin; and natural gas supply plans for various weather conditions.

A third purpose of the ACA process is to review the LDC's gas purchasing practices to determine the prudence of the company's natural gas purchasing and operating decisions.

The PSC Staff will consider the financial impact on customers of the LDC's use of its gas supply, transportation and storage contracts in light of the conditions and information available when the operational decisions were made.

The PSC Staff in Procurement Analysis, in conjunction with other PSC Staff, held discussions with some LDCs regarding their hedging activities for the 2012/2013 winter. These discussions were held to inquire as to whether the LDCs were taking actions to mitigate the effects of potential winter price spikes on their price of gas.

Other Proceedings

Although focused largely on natural gas ACA activities, Procurement Analysis Staff, because of its knowledge of natural gas issues, assisted in the review of LDC complaint cases, merger cases, proposed tariff changes, gas rate cases, hedging workshops, and certificate cases. Procurement Analysis Staff also assisted in the review of affiliated transactions that impacted the recovery of gas costs.

Procurement Analysis Staff also monitor conditions in the natural gas markets where, since early 2010, a period of relatively stable prices has prevailed. These relatively stable prices have been attributed to increased shale supplies among other factors.

Federal Natural Gas Activities

FERC regulates interstate natural gas pipeline companies. The Commission has participated at FERC because FERC actions directly affect Missouri natural gas consumers. The Commission has actively participated in various proceedings, focusing on matters having the greatest impact on Missouri consumers and/or those cases where Missouri interests are underrepresented. Through its participation, the Commission strives to ensure Missouri consumers receive reliable natural gas transportation service at reasonable rates.

Missouri's Local Distribution Companies (LDCs), including both natural gas utilities and electric utilities that use natural gas to generate electricity rely on FERC regulated interstate pipelines to receive their natural gas supplies. Currently 11 interstate pipelines directly serve Missouri utility companies. An additional 4-6 upstream pipelines provide natural gas services.

Three of these pipelines are the primary suppliers of natural gas to Missouri LDCs: Panhandle Eastern Pipe Line Company, LP (Panhandle), Southern Star Central Gas Pipeline Inc. (Southern Star), and Enable Mississippi River Transmission, LLC (MRT).

On April 17, 2012, the Missouri Supreme Court issued an opinion that the Commission did not have statutory authority to intervene at FERC. Since that time, the Commission has not filed to intervene in interstate pipeline cases at FERC. On May 17, 2013, the Missouri Legislature passed HB432 allowing the Commission to intervene at FERC. The statute became effective August 28, 2013.

Unit Focus during the 2013 Fiscal Year

MoGas Pipeline LLC

On April 20, 2007, Missouri Interstate Gas LLC (MIG), and Missouri regulated Missouri Pipeline Company LLC (MPC) and Missouri Gas Company LLC (MGC) merged and became FERC regulated. At that time FERC also reduced MoGas proposed rates by approximately \$2 million as a result of the Commission (and other parties) challenge to the rates.

The Commission also challenged the FERC's order that permitted MoGas to include an acquisition premium in rates that resulted in an annual overcharge to Missouri customers of approximately \$1.3 million annually. FERC denied the Commission's challenge. The Commission appealed FERC's decision to the United States Court of Appeals for the D.C. Circuit (Docket No. 09-1121) and on April 13, 2010, the DC Circuit Court agreed with the Commission's arguments and vacated the FERC's order and remanded the case to FERC.

REGULATORY ACTIVITY

FERC issued an Order on March 21, 2013 finding that the acquisition premium could be included in rates. The State of Missouri has requested rehearing of the final FERC order and is waiting FERC's decision.

Enable Mississippi River Transmission

MRT provides natural gas services to the St. Louis area. On August 15, 2012, MRT filed a rate case at FERC proposing to recover nearly \$104 million through annual rates.

The State of Missouri, among others, filed a protest in the rate case. The parties reached an agreement in July, which reduced the requested rate increase by over \$20 million, and eliminated other provisions, which could be detrimental to Missouri ratepayers. Approval of the settlement is pending at FERC. Upon FERC's approval of the settlement, MRT customers will receive refunds for charges billed since March 2013 in excess of the settlement rates.

Southern Star Central Gas Pipeline, Inc.

On May 31, 2013, Southern Star filed a rate case at FERC proposing a \$95 million rate increase. The current case is asking for rates based upon a \$302.4 million annual cost of service. The Commission is participating in this case. The case is currently in the discovery stage with testimony due in March 2014. It is anticipated that settlement negotiations will begin later this year.

Natural Gas Coordination With Electric Regional Transmission Operators

FERC held technical conferences throughout the country to discuss increasing reliance on natural gas for electric generation. The Commission has monitored the FERC technical conferences and has participated in a number of discussions with the Southwest Power Pool (SPP) and the Midcontinent Independent System Operator (MISO) to protect Missouri consumers interests and will continue to participate in these discussions.

RATE CASES DECIDED DURING THE 2013 FISCAL YEAR

ELECTRIC

Date of Order	Case No.	Company	Rate Request	PSC Decision
11/1/12	ER-2012-0345	Empire District Electric	\$6,200,000 (1)	\$0
12/12/12	ER-2012-0166	Ameren Missouri	\$375,600,000	\$259,600,000
1/9/13	ER-2012-0175	KCP&L-GMO	\$83,500,000	\$47,900,000
1/9/13	ER-2012-0174	Kansas City Power & Light	\$105,800,000	\$67,400,000
2/27/13	ER-2012-0345	Empire District Electric	\$30,700,000	\$27,500,000

(1) The Empire District Electric Company sought an interim rate increase.

NATURAL GAS

Date of Order	Case No.	Company	Rate Request	PSC Decision
6/26/13	GR-2013-0171	Laclede Gas Company	\$58,400,000 (2)	\$0 (3)

(2) Included in this number is \$14.8 million already collected from customers through the ISRS.

(3) ISRS is re-set to zero and \$14.8 million already collected through the ISRS goes into the annual operating revenues through a change in the volumetric rate.

REGULATORY ACTIVITY

WATER AND SEWER

The Water and Sewer Unit (Unit) provides technical expertise in the operation of water and sewer companies and analyzes applicable tariffs and tariff filings to ensure they are in compliance with appropriate state law, Commission rules, and are fair for both the utility and consumer.

The main functions of the Unit are to assist small companies in their day-to-day operations, conduct inspections, assist customers, investigate customer complaints, work on tariff filings, review small and large company rate requests, and review applications for certificates of convenience and necessity to ensure that a proposed utility is in the public interest.

The Unit plays a key role in developing appropriate rates required for the utility to collect the revenues that have been approved by the Commission.

Another major role fulfilled by the Unit is investigating customer complaints regarding quality of service issues. Unit personnel spend many hours in the field investigating complaints and working with the customer and the company to find solutions to the customer's concerns.

There are approximately 75 regulated water and/or sewer companies in the State of Missouri. Most of these companies are considered small or very small based upon those definitions as provided by the National Regulatory Research Institute (NRRI). One of the major challenges is providing the utility with reasonable rates to make needed repairs and Missouri Department of Natural Resources (DNR) mandated upgrades while at the same time keeping rates reasonable for consumers.

In fulfilling its duties, the Unit also works very closely with DNR whose responsibilities include ensuring that the utilities are complying with applicable federal and state environmental and water quality laws and regulations.

The Commission and DNR share information about the companies they regulate under a Memorandum of Understanding. This agreement includes provisions regarding the

agencies' cooperation and coordination on overlapping matters such as DNR's issuance of construction and operating permits and the Commission's utility service area certification process.

The Unit is also active in federal activities that impact water and sewer industries in Missouri. Many of the issues that are impacting these industries in Missouri are obstacles in the other states as well; therefore, the Unit participates in working groups with the National Regulatory Research Institute (NRRI) and the National Association of Regulatory Utility Commissioners (NARUC).

MAJOR ISSUE IMPACTING THE WATER AND SEWER INDUSTRIES

One major issue impacting the Unit and the industries is the level of infrastructure repair and replacement required throughout the state. Recent findings by the U.S. Environmental Protection Agency (EPA) indicate that nationwide, the cost to upgrade the water and wastewater infrastructure is approximately \$384 billion. In addition to the approximately 75 systems regulated by the Commission, there are approximately 2,200 water systems in the state. The EPA estimates the capital infrastructure needs for Missouri are approximately \$8.5 billion. Many of the small systems in Missouri are decades old and repair or replacement of the infrastructure is a constant need. However, small systems have a difficult time raising appropriate levels of capital to meet the needs of the system and to upgrade to new environmental rules.

The Unit is constantly engaged with the small systems that are regulated by the Commission and other interested entities to look for creative solutions to allow the utilities to make the appropriate upgrades and to continue to provide safe and adequate service at just and reasonable rates.

The Unit has recently started a dialogue with the Missouri Rural Water Association (MRWA) to investigate new ways to provide the appropriate assistance to small water and sewer systems.



REGULATORY ACTIVITY

WATER & SEWER RATE CASES

Case Number	Company	Effective Date	Increase Requested	Increase Granted
WR-2011-0337	Missouri-American Water Company	4/1/12	\$42,900,000	\$23,255,000
SR-2011-0338	Missouri-American Water Company	and 6/3/12		\$725,000
SR-2012-0263	R.D. Sewer Company, L.L.C.	12/14/12	\$10,380	\$13,996
WR-2012-0266	Lakeland Heights Water Company, Inc.	12/14/12	\$3,960	\$5,842
WR-2012-0267	Oakbrier Water Company, Inc.	12/14/12	\$2,160	\$1,162
WR-2012-0300	Empire District Electric Company-Water	11/23/12	\$516,401	\$450,000
SR-2012-0309	Meramec Sewer Company	10/7/12	\$140,000	\$103,466
SR-2012-0399	House Springs Sewer Company	3/15/13	\$125,000	\$133,654
WR-2012-0405	Raytown Water Company	12/21/12	\$426,951	\$390,268
SR-2013-0016	Emerald Pointe Utility Company	8/23/13	\$186,000	\$247,040
WR-2013-0017	Emerald Pointe Utility Company	8/23/13	\$13,000	(\$45,826)
SR-2013-0053	W. P. C. Sewer Company	3/4/13	\$14,483	\$10,670
SR-2013-0112	Seges Partners Mobile Home Park, LLC	4/8/13	\$3,326	\$3,534
SR-2013-0258	Gladlo Water & Sewer Company, Inc.	8/15/13	\$5,281	\$7,381
WR-2013-0259	Gladlo Water & Sewer Company, Inc.	8/15/13	\$9,186	\$3,619
SR-2013-0321	Lincoln County Sewer and Water, LLC	Pending	\$13,382	Pending
WR-2013-0322	Lincoln County Sewer and Water, LLC	Pending	\$7,569	Pending
WR-2013-0326	Woodland Manor Water Company, LLC	6/28/13	\$20,000	\$24,141
SR-2013-0435	Rogue Creek Utilities, Inc.	Pending	\$48,565	Pending
WR-2013-0436	Rogue Creek Utilities, Inc.	Pending	\$40,425	Pending

REGULATORY ACTIVITY

STAND ALONE WATER AND SEWER COMPANIES*

Name of Water Company	Customers	Name of Sewer Company	Customers
Argyle Estates Water System	52	Cannon Home Association	106
Bilyeu Ridge Water Company, LLC	55	Central Rivers Wastewater Utility, Inc.	237
Empire District Electric Co.	4,579	EMC of St. Charles	17
Environmental Utilities	21	House Springs Sewer Co.	1,178
Evergreen Lake Water Co.	52	M.P.B. Inc.	195
Franklin County Water Co.	183	Meramec Sewer Co.	992
Gascony Water Co., Inc.	171	Mid MO Sanitation	28
I H Utilities	708	Mill Creek Sewer Co. (1)	75
Kimberling City Water Company	94	North Oak Sewer	78
Lakeland Heights Water	105	P.C.B. Inc.	285
Middlefork Water Co. **	2	RD Sewer	164
Midland Water Co.	94	Taneycomo Highlands	32
Moore Bend Water Co. (2)	88	Taney County Utilities	61
Oakbrier Water Co.	60	TBJ Sewer Systems, Inc.	60
Ozark Shores Water Co.	1,854	Timber Creek Sewer Co.	1,715
Public Funding Corp of Ozark	219	Village Water & Sewer	240
Raytown Water Co.	6,508	Warren County Sewer Co.	35
Rex Deffenderfer Enterprises Inc.	1,119	West 16th Street	149
Riverfork Water Co.	143	WPC Sewer Co.	68
Spokane Highlands Water Co.	48		
Stockton Hills Water Co.	161	Total Number of Customers	5,715
Smithview H2O Co.	105		
Taney County Water, LLC	515		
Tri State Utility Co.	3,540		
Village Greens Water Co.	67		
Whispering Hills Water Co.	57		
Whiteside Hidden Acres, LLC	37		
Woodland Manor Water Co.	164		
Total Number of Customers	20,801		

*Active Companies as of 6/30/13. Customer numbers based on most recent data available.

**Middlefork Water Company provides water to Grant City and Stanberry, which buy the water wholesale to provide to approximately 2,100 customers.

(1) Operating Under Receivership

(2) Sale/Transfer Pending

REGULATORY ACTIVITY

COMBINATION WATER AND SEWER COMPANIES*

Company Name	Water Customers	Sewer Customers
Brandco Investments	225	225
Calvey Brook	0	0
Emerald Pointe Utility Co.	389	364
Envirowater	0	0
Foxfire	306	204
Gladlo Water & Sewer Co. (1)	61	65
Hickory Hills Water & Sewer Co.(1)	48	47
Highway H Utilities, Inc.	327	327
Holtgrewe Farms Water Co. LLC	2	2
Lake Northwoods Utility Co.	20	20
Lake Region Water and Sewer Co.	652	872
Liberty Utilities	1,964	603
Lincoln County Sewer & Water, LLC	122	123
Missouri American Water Co.	453,122	3,930
Missouri Utilities Co. (1)	151	151
Osage Water Co. (1)	418	386
Peaceful Valley Service Co.	170	170
Port Perry Service Co.	261	175
Rogue Creek Utilities (1)	99	93
Roy L Utilities, Inc.	62	57
S K & M Water & Sewer Co.	276	152
Seges Mobile Home Park	58	58
Southtown Utilities Co., Inc.	122	120
Terre Du Lac Utilities Corp.	1,237	1,234
Valley Woods Utility, LLC	41	32
Willows Utility Co.	186	186
Total Number of Customers	460,319	9,596

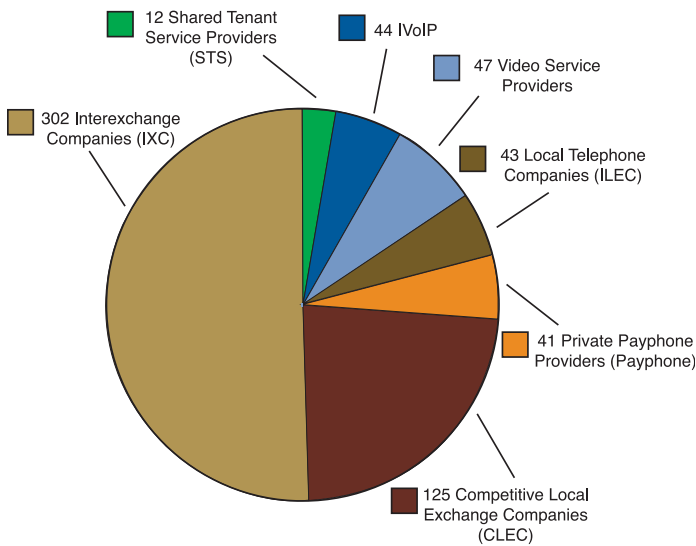
*Active Companies as of 6/30/13. Customer numbers based on most recent data available.

(1) Operating Under Receivership

TELECOMMUNICATIONS Commission Authority/ Responsibilities

The Commission's authority over telecommunications has changed over the years. The Commission's jurisdiction includes issues related to wholesale matters such as interconnection arrangements and telephone numbering as well as issues related to universal service funds. Companies providing various forms of landline telecommunications services and Interconnected Voice over the Internet Protocol service must be certificated or registered with the Commission. Companies providing video service have the option to seek authorization through the Commission rather than through a local municipality. Authorizations are granted and cancelled each year. Overall the number of providers with authorizations issued by the Commission has increased from 606 in 2012 to 614 in 2013.

**Telecommunications, IVoIP, and
Video Service Providers**



Assist in the Administration of Various Federal Universal Service Fund Programs

The Federal Communications Commission (FCC) administers the federal universal service fund (USF). This federal fund is used for a variety of different programs; however, the FCC relies on state commissions to help in the administration of the high-cost program and the Lifeline program.

Eligible Telecommunications Carrier Status: Any landline or wireless company operating in Missouri that would like to draw financial support from the high-cost program or the Lifeline program must first obtain status from the Commission as an eligible telecommunications carrier (ETC). ETC status ensures a company meets certain qualifications and also makes certain commitments for

complying with various program requirements. Minimum ETC requirements are identified in FCC rules; however, a state commission may expand upon these requirements. Commission rules identify current ETC application requirements; however, the Commission is currently considering expanding these requirements. A total of 70 companies have ETC status in Missouri. In the past few years, most ETC applications involve wireless companies solely participating in the Lifeline program.

Lifeline Program: The Lifeline program is designed to provide discounted phone service to qualifying low-income consumers. The program has been in existence since 1985 and is overseen by the FCC in partnership with states. Landline and wireless companies participating in the Lifeline program currently receive federal USF funding of \$9.25 per month for each Lifeline subscriber. Landline companies offering Lifeline service receive an additional \$3.50 per month per Lifeline subscriber from the Missouri USF. As of July 2013 Missouri had 227,207 Lifeline subscribers, with 186,974 subscribers served by wireless companies.

The FCC initiated significant reforms to the Lifeline program in February 2012. Some of these reforms are still being developed and are anticipated to be implemented in 2013 and 2014.

Reforms implemented so far suggest significant impacts are being made to the Lifeline program. Missouri's Lifeline quantities peaked in March 2012 with 332,159 subscribers and has declined to 227,207 as of July 2013. This decline is directly attributed to a couple of reform measures. For example, companies offering free Lifeline service are required to de-enroll a subscriber if the subscriber fails to use the service during a 60-day time period. Companies are also required to de-enroll any subscriber failing to respond to an annual request to verify eligibility. In Missouri, these reform efforts alone resulted in de-enrollment of over 100,000 subscribers.

According to the FCC, various reform efforts to the Lifeline program saved \$200 million in 2012 with estimates of another \$400 million saved in 2013 and ultimately \$2 billion in savings by the end of 2014.

The Commission is analyzing additional reforms to the Lifeline program. The PSC Staff filed a report about the Lifeline program in July 2013. This report provides a significant amount of information regarding the status of the Lifeline program. In addition this report describes efforts to ensure companies comply with program requirements whereby the Commission took formal enforcement action against two companies this past year. The Commission is currently considering proposed rulemaking changes to strengthen compliance efforts and improve the Lifeline program.

High-Cost Support Program: The high-cost program is intended to ensure voice and broadband services are available to Americans throughout the nation at comparable rates. Essentially the high-cost support program provides financial support to companies serving high-cost areas such as rural and sparsely populated areas. The federal USF provides this financial support through a variety of funding mechanisms. Federal USF high-cost support payments totaled \$4.1 billion nationwide in 2012. In Missouri, 44 landline companies and

REGULATORY ACTIVITY

three wireless companies received approximately \$106.3 million in federal high-cost support in 2012.

The FCC relies on state commissions to annually certify companies receiving high-cost support payments. This certification process is intended to ensure a carrier's high-cost support was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance and upgrade of facilities and services for which the support is intended. Failure to obtain this state certification results in termination of a company's high-cost support. The Commission has established rules identifying requirements for obtaining annual certification. In addition, the PSC Staff annually conducts on-site visits evaluating a company's facilities and overall operations.

Funds Administered by the Commission

Missouri Universal Service Fund: The Missouri Universal Service Board (Board), consisting of the Commission and Public Counsel, oversees the USF pursuant to Section 392.248 RSMo. The Missouri USF provides funding solely to landline carriers for the provisioning of discounted voice service to qualifying Lifeline and disabled customers. The Missouri USF is funded through a percentage based assessment on retail net jurisdictional revenues of landline telecommunications companies and interconnected VoIP providers. This assessment is ultimately paid for by consumers and shows up as the Missouri USF surcharge on monthly bills.

The Missouri USF fund balance has grown from \$2,341,315 to \$2,828,145 during the July 2012 through July 2013 time period. Monthly averages for the past 12 months were \$201,849 for Missouri USF revenues and \$157,747 for Missouri USF expenditures. The fund's revenues are expected to significantly decline as the Missouri USF assessment was reduced from .0025 to .0017 effective July 1, 2013. The amount of Missouri USF support is \$3.50 per month for each Lifeline or disabled subscriber. Overall during the last 12 months the number of subscribers benefitting from the Missouri USF has declined by approximately 22 percent. This percentage is based on a decline of program subscribers from 45,764 to 35,581 in the Lifeline program and a decline from 3,628 to 2,938 subscribers in the disabled program.

Approximately \$85,000 is annually expended for contracts associated with administering the Missouri USF. Central Trust Bank is currently contracted to provide general administrative services, banking services, auditing services and specific system management services. The current contract was initiated on July 1, 2011 for a two-year time period with the option to extend the contract for four additional one-year time periods. The Board recently extended the contract through June 30, 2014. Nichols, Stopp and VanHoy LLC is currently contracted to provide independent auditing services and tax preparation services for the Missouri USF. The current contract was initiated on July 1, 2012 for a one-year time period with the option to extend the contract for four additional one-year time periods. The Board recently extended this contract through June 30, 2014.

Relay Missouri Fund: The Commission oversees the Relay Missouri Fund (a.k.a. Deaf Relay Service and Equipment

Distribution Program Fund) pursuant to Section 209.258 RSMo. This fund provides financial support to ensure deaf, hearing-impaired and speech-impaired consumers have reasonable access to telephone service. Fund revenues are derived from the Relay Missouri surcharge applied to each line associated with landline telecommunications or interconnected VoIP service.

The Relay Missouri Fund specifically provides financial support for Relay Missouri service, Captioned Telephone service (CapTel) and the Telephone Access Program. Relay Missouri is funded by a surcharge applied to basic local telecommunications line service. The surcharge level, currently \$.08 per line, is periodically reviewed by the Commission according to requirements established by Missouri statutes.

Telephone Numbering

The Commission serves as an impartial telephone numbering administrator in Missouri, working closely with the National Number Pool Administration to implement industry guidelines to include telephone number reclamation procedures, and the issuance of new telephone numbers in quantities sufficient to serve new telephone numbering needs.

The Commission also monitors national activities that impact telephone number administration in Missouri. These activities serve to meet expectations that telephone numbers are utilized efficiently as the Public Switched Telephone Network continues its evolutionary migration to an Internet Protocol-based successor network.

The Commission also serves in a capacity to review, and potentially reverse, decisions by federal authorities which have denied additional telephone numbers to telephone companies when specific utilization guidelines are not met. Often referred to as "safety valve" requests, such authority permits the Commission to examine and verify telephone numbering needs involving individualized company-specific situations. In the 2013 fiscal year, the Commission was asked to examine and make determinations in five such company-specific situations. In all five cases, the Commission granted the telephone company request in an expedited manner.

The Commission continues to be aggressive in its efforts to conserve telephone numbers. Those efforts have enabled Missouri to delay the implementation of new area codes in the state.

Missouri's area codes are projected to exhaust all available telephone numbers at the following time periods:

AREA CODE	PROJECTED DATE OF TELEPHONE NUMBER EXHAUSTION*
314	4th quarter of 2019
417	3rd quarter of 2031
573	4th quarter of 2024
636	3rd quarter of 2038
660	3rd quarter of 2035
816	1st quarter of 2028

**Forecast as approved by the FCC in April 2013. The exhaust dates are reviewed twice a year by numbering authorities.*

On April 18, 2013, the FCC released a Notice of Proposed Rulemaking, Order and Notice of Inquiry which established a six-month technical trial allowing Vonage and other VoIP providers to obtain telephone numbers directly from the North American Plan Administrator and the Pooling Administrator, subject to certain requirements. The FCC explained that it would use this trial to test whether giving VoIP providers direct access to numbers would raise issues relating to, for example, number exhaust, number porting, VoIP interconnection, or intercarrier compensation, and if so, how those issues might be efficiently addressed. Trial participants are to file regular reports throughout the six-month trial.

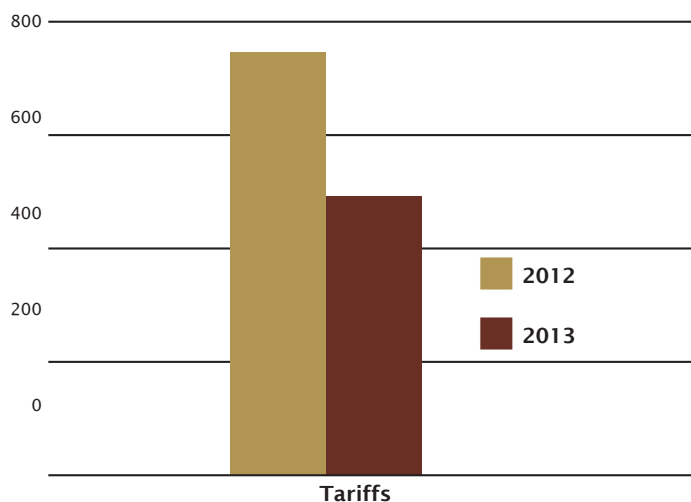
Intercarrier Telecommunications Issues

Inter-carrier compensation refers to charges that one telephone company pays to another telephone company to originate, transmit and/or terminate telecommunications traffic. There are two forms of intercarrier compensation: access charges and reciprocal compensation. Access charges apply to interexchange traffic and can differ depending on whether a call is an interstate versus intrastate call. Reform efforts were initiated in July 2012 reducing intrastate terminating switched access rates to corresponding interstate rate levels as of July 2013. Reciprocal compensation applies to local traffic and is typically identified in interconnection agreements signed by companies and filed with the Commission. In 2013 approximately 28 interconnection agreement filings were made with the Commission.

The Commission is called upon to decide disputes between companies over issues relating to the transmission of telecommunications traffic. For example, Halo Wireless, Inc. (Halo) filed a complaint against a large group of incumbent local telephone companies. Halo sought Commission action to prevent incumbent local telephone companies from blocking the company's traffic. The incumbent local telephone companies were planning to block Halo's traffic because Halo was failing to pay for the termination of this traffic and improperly delivering calls. The Commission ultimately ruled against Halo (Case No. TC-2012-0331). This decision led to the PSC Staff filing a complaint against Halo and Transcom Enhanced Services, Inc. (Transcom). The PSC Staff alleged both companies were not properly authorized to provide telecommunications service in Missouri and were also engaged in an access avoidance scheme. A settlement was reached with Transcom and a default judgment was entered against Halo (Case No. TC-2013-0194) in August 2013.

Big River Telephone Company (Big River) filed a complaint against AT&T regarding whether access charges should apply to Big River's traffic. Resolving this issue centered on whether the traffic meets the interconnected Voice over the Internet Protocol (VoIP) service definition. The Commission ultimately determined the traffic could be classified as VoIP traffic and consequently Missouri law dictates access charges apply.

Annual Number of Filings



Calling Problems

Erratic calling problems have emerged in many states involving calls terminating to rural areas served by small incumbent local telephone companies. The crux of these problems is calls are not reaching the called party.

On October 19, 2011, the Commission opened a case (Case No. TW-2012-0112) to investigate calling problems in Missouri. The PSC Staff conducted a workshop in which industry participants discussed concerns first raised by small rural local exchange carriers in Missouri. Subsequent meetings were held to further discuss problems and evaluate network reliability testing results.

The status of this investigation was summarized in a March 29, 2013 PSC Staff report and appears to mirror recent FCC findings. Most notably, the PSC Staff states the primary cause of rural call completion problems appears to be intentional traffic manipulation by various intermediate providers used by some originating interexchange carriers. The PSC Staff is continuing its investigation by gathering relevant information from the top 100 companies handling interexchange traffic in Missouri. This information includes how these companies are monitoring interexchange voice traffic to ensure calls are being completed as well as the identification of other providers used to transmit traffic.

The FCC is trying to address the calling problems in a variety of ways. The FCC has fined a company for inadequate call monitoring. The FCC has also issued an Enforcement Advisory reminding companies of the obligation to adequately investigate and respond to consumer complaints involving rural call completion problems. In addition the FCC is proposing rules placing certain monitoring and reporting requirements on facility-based interexchange carriers. In May 2013, the Commission filed comments with the FCC regarding these proposed requirements as well as provided an update of Missouri's investigation of call completion problems.

REGULATORY ACTIVITY

MANUFACTURED HOUSING AND MODULAR UNIT PROGRAM

The Manufactured Housing and Modular Units Program (Program) of the Commission is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units, as well as the installers of new manufactured federal Housing and Urban Development (HUD) homes. Program Staff also prescribes and enforces uniform construction, safety and installation standards by conducting inspections, which include enforcement of tie down and anchoring requirements.



During the 2013 fiscal year, the Program licensed 120 manufacturers, 209 retail dealers, and 94 installers. Field staff conducted a total of 44 consumer complaint inspections. Of those 44, Program Staff were able to successfully resolve approximately 98 percent of complaints received by working with manufacturers, dealers, installers and homeowners.

In addition, Program Staff conducted 281 on-site inspections prior to the completion of the installation of a home. On-site inspections can help identify any installation problems and those problems can be repaired before the installation of the home is completed, reducing repair costs and ensuring that the consumer has a properly installed, longer lasting home. In many cases, these on-site inspections are initiated or requested by the home installer, dealer or the homeowner to ensure the site is properly prepared before the home is placed on the site.

Oversight and Regulation

Structures that are not properly installed may result in very expensive repairs which can take weeks to complete. Most of today's homes and commercial units are multi-section structures installed on crawl spaces or basement foundations or below frost grade footings. Many of these structures have high pitched hinged roofs and require specialized equipment to install.

Many multi-section units require several weeks to fully complete from site preparation to final close up and interior finish. Program Staff work with local communities around the state to ensure manufactured homes and modular units are built to the applicable building and safety codes and are set up and installed according to applicable state standards.

Manufactured Homes & Modular Unit Sales

Approximately 771 new manufactured homes and new modular units were sold in Missouri during the 2013 fiscal year (down 18 percent from FY2012). In addition, 1,604 used homes were sold in the state (up 7 percent from FY2012).

Modular and manufactured homes fill a major housing void in many rural areas where site built homes are difficult to construct in a timely manner. Pursuant to a report published by the Governmental Accounting Office and the Federal Housing Institute, approximately five percent of Missouri residents live in a manufactured home. In addition, residential and commercial modular units are becoming a very popular and affordable alternative to site built constructed units.

Commercial modular units range from small single section units to large 16 to 20 section multi-family structures. Other commercial units include specialized units such as medical facilities, banks and jails. Many of these commercial units can be delivered and fully operational within a very short period of time. Program Staff work with local building and code officials to ensure these structures meet the applicable commercial building code requirements under the International Building Codes (IBC).

Modular unit classrooms are a major component of affordable classrooms in many school districts throughout the state. Program Staff continues to work with school districts to ensure these units are installed and anchored properly so that school children have a safe environment.

Dispute Resolution

The Commission's dispute resolution process has reduced the number of formal complaints filed with the Commission. This process includes on-site meetings, which are conducted at the home's location with the

STATISTICS FOR FISCAL YEAR 2013

Registered Manufacturers:	120
Registered Dealers:	209
Registered Installers:	94
Homes Sold (New & Used):	2,375
Consumer Complaint Inspections:	44
On-Site Inspections:	281
Dealer Lot Inspections:	150
Dealer Lot Investigations:	61
Modular Unit Seals Issued:	531
Modular Unit Plans Approved:	347
Installer Decals Issued:	702

REGULATORY ACTIVITY

homeowner, manufacturer, dealer, installer(s) and Program Staff. Corrective action is identified by Program Staff and the responsible party is required to make the applicable changes. The dispute resolution process has reduced legal costs for the industry, the consumer and the Commission.



Contact Information

The Commission has a toll-free number, **1-800-819-3180**, for consumers who have questions or complaints regarding manufactured homes or modular units. Program Staff conducts free home inspections for consumers requesting an inspection if the consumer is the first owner of the home and the home is less than five years old. Additional information is available on the Commission website at **www.psc.mo.gov**. Once at the site, click on the manufactured housing tab at the top of the page.

ENGINEERING AND MANAGEMENT SERVICES

Management Services Staff

Management Analysts in the Engineering and Management Services Unit (EMSU) participated in a variety of cases and audit projects during 2013. EMSU Staff performed analysis in conjunction with the review of numerous small water and sewer companies to assist them in providing sound customer service as well as efficient and effective business practices.

The audit program is designed to assist small companies (defined as having approximately 8,000 or fewer customers), in a variety of areas including: customer billing, payment remittance, credit and collections, complaint handling, business office operations and record retention. This program is utilized by Management Analysts when a small utility requests a rate increase.

As part of the audit program, Management Analysts produce a report which contains a description of the companies' processes and procedures as well as audit findings and recommendations for improvement. The audit program also includes implementation reviews, along with continued monitoring of the small utilities after completion of the audit reports.

Management Analysts performed service quality analysis during 2013 on a number of small water and sewer companies in the context of rate increase requests, acquisitions, new certificate cases and implementation review activity.

Service quality analysis was performed on the following companies during 2013: Emerald Pointe Utility Company, House Springs Sewer Company, I.H. Utilities, Terre Du Lac, Meramec Sewer Company, West 16th Street Sewer Company, Lincoln County Sewer & Water, LLC., Tri-States Utilities, Gladlo Water and Sewer Company, Midland Water Company, Woodland Manor Water Company, Seges Mobile Home Park, Lakeland Heights Water Company, Inc., Oakbrier Water Company, Inc., RD Sewer Company, LLC, The Empire District Electric Company-Water Operations, Raytown Water Company and Rogue Creek Utilities.

Management Analyst Staff were also involved in the Joint Application of MGE, The Laclede Group, Inc. and Laclede to sell the MGE assets to Laclede. The role of Management Analyst Staff included assisting to ensure the merger does not result in service declines for either MGE or Laclede customers (Case No. GM-2013-0254). Service quality reporting and monitoring of the merger transition by Staff will continue.

EMSU Staff continue to meet periodically with Missouri-American Water Company to review and address service quality topics including billing, call center topics, the Company's transition into its new Business Transformation computer system and other related issues (Case No. WR-2011-0337).

EMSU Staff continues to meet quarterly with KCPL and KCP&L-GMO to address service quality topics as a result of the Great Plains Energy/Kansas City Power & Light

REGULATORY ACTIVITY

Company/Aquila, Inc. merger (Case No. EM-2007-0374). During the 2013 fiscal year, Staff also met periodically with Ameren regarding its call center performance and other topics as well as with Liberty Energy (Midstates) Corp. as a result of its purchase of the Missouri Atmos properties in 2012. A variety of service quality topics are continuously reviewed with the companies to monitor utility performance and customer service.

EMSU Staff also participated in the Commission's Telecommunications Unit's review of Universal Service Fund (USF) certifications for Windstream Communications Inc., BPS Telephone Company, Citizens Telephone Company and Alma Communications d/b/a Alma Telephone Company. Staff analyzed a variety of processes and practices during each of these reviews, including customer billing and payment remittance, credit and collections, local business office operations and the company's handling of customer complaints and inquiries. EMSU Staff submitted a number of data requests, performed on-site work and made recommendations for improvements.

Management Analysts also attended a number of local public hearings regarding rate increase requests during the fiscal year and participated in the investigation and resolution of several customer complaints. Staff also researched and analyzed computer billing systems to be able to provide small companies with information that may be useful to their operations.

Staff continues to receive and review quality of service reports from a variety of companies as a result of mergers and rate cases. These reports contain information regarding customer service, including data on staffing levels, call center indicators such as average speed of answer and abandoned call rate, and the number of billing estimates performed. Staff monitors the call center performance of all of the state's large regulated natural gas and electric companies as well as Missouri-American Water Company. Staff specifically reviews and analyzes call center performance trends, and these reviews often result in additional inquiries and discussion with the utilities regarding performance.

Management Analysts also participated in Commission Consumer Services Roundtable meetings that occurred throughout the year to contribute toward potential revisions to Commission Chapter 13 rules regarding service and billing practices for residential customers of gas, electric and water companies.

Engineering Staff

EMSU Engineering Staff performed depreciation analysis on a number of utility companies during the fiscal year. The purpose of depreciation in a regulatory environment is to recover the original cost and cost of removal less salvage, of capital investment from customers and to allocate those costs over the useful life of the assets.

Annual depreciation expense, distributed over the life of each asset, results in the full recovery of the original cost plus cost of removal of capital assets.

The Engineers' objective is to propose depreciation rates that are fair and appropriate for each company as well as its customers. Historical plant additions and retirements are studied in computer models that assist Depreciation Engineers in applying professional judgment when determining an average service life for utility assets that are classified in a system of plant accounts. The Engineers also participate in plant visits to observe the physical assets represented in the individual accounts that are being depreciated.

Commission rules provide specific requirements for utilities to maintain their plant records. Depreciation comprises a significant component of the cost used to develop utility rates paid by consumers.

During the year, Engineering Staff provided expert analyses in the context of several large utility rate cases including those filed by Ameren (Case No. ER-2012-0166), Empire (Case No. ER-2012-0345) and KCPL and KCP&L-GMO (Case Nos. ER-2012-0174 and ER-2012-0175, respectively).

Engineers also conducted analysis in Laclede's application for an order establishing a depreciation rate for the company's new enterprise information management system (Case No. GO-2012-0363), KCPL's application for a depreciation authority order (Case No. EO-2012-0340) and KCPL's application for authority to sell approximately three miles of transmission line (Case No. EO-2012-0354). Engineering Staff also participated in several small water and sewer company rate cases.



REGULATORY ACTIVITY

CONSUMER SERVICES

The Consumer Services Unit (Consumer Services) responds to information requests and responds to consumer complaints and inquiries regarding utility service. Consumer Services ensures utility compliance with Commission rules and regulations as well as with the utilities' Commission-approved tariffs. Consumer Services also works to educate customers, utilities and the public on utility-related consumer service issues, rights and responsibilities, with a focus on promoting understanding to prevent disputes.

Consumer Services is actively involved in consumer education efforts throughout the state. In 2013, there were approximately 50 different consumer outreach venues (i.e., state, energy, health and senior service fairs, Community Action Agency forums and local public hearings).

Consumer Services has full-time investigators who handle a variety of consumer issues including billing problems, payment arrangements, denial of service issues, disconnection and service connection issues, enforcement of rules and regulations and safety issues. Consumer Services is the link between consumers and the utility company that serves them. Consumer Services handles all contacts in a prompt, fair and practical manner.

Consumer Services encourages all parties to focus on preventing problems before they occur. When consumer issues are found, investigators guide the parties to identify and correct the cause.

Consumer Services also handle pro se formal complaint cases, participate in customer-service focused reviews of utility operations and testify in formal cases before the Commission regarding issues that affect consumers and low-income utility assistance programs.

The Commission received over 14,000 customer-related contacts in 2013. Contacts include complaints, inquiries regarding rules and regulations, information requests, non-jurisdictional requests, and public comments related to pending utility cases.

FY 2013 Top Complaint Issues

- 1 - Discontinuance of Service
- 2 - Denial of Service
- 3 - High Bill
- 4 - Disputed Bill
- 5 - Rebill



YEAR IN REVIEW



2012

July 6 The Empire District Electric Company files a rate case with the Commission seeking to increase annual electric operating revenues by approximately \$30.7 million. Included in that request is an interim rate increase request of approximately \$6.2 million.

July 17 Commission establishes a case to address effective cyber security practices.

July 17 Commission approves application authorizing Summit Natural Gas to construct and maintain a natural gas system providing service in Benton, Morgan, Camden and Miller counties.

August 8 Commission orders inquiry into the impact of higher utility rates on Missouri's low-income citizens.

November 1 Commission Cold Weather Rule takes effect.

November 1 Commission denies The Empire District Electric Company's interim rate request of \$6.2 million.

November 1 Commission approves agreement reached in The Empire District Electric Company water rate case. When the company filed its rate request on May 21, 2012, it sought to increase annual water operating revenues by approximately \$516,400. The agreement authorizes an increase of approximately \$450,000 in annual water operating revenues.

December 12 Commission issues decision in Ameren Missouri electric rate case. Commission grants an increase of approximately \$260 million. The decision marks the state's historic transition from an electric system based on load growth to one founded on energy efficiency and new resources to help consumers control their utility costs. When Ameren Missouri filed its rate request on February 3, 2012, it sought to increase annual electric operating revenues by approximately \$375.6 million.

December 13 Commission approves agreement reached in Raytown Water Company rate case, authorizing an increase in annual water operating revenues of approximately \$390,268. When the company filed its rate request on June 4, 2012, it sought to increase annual water operating revenues by approximately \$426,951.

December 21 Laclede Gas Company files a natural gas rate case with the Commission seeking to increase annual operating revenues by approximately \$58.4 million (\$14.8 million of which is already collected in customer bills through the ISRS).

2013

January 9 Commission issues decision in KCP&L-Greater Missouri Operations Company (GMO) electric rate case. The Commission grants a rate increase of approximately

\$48 million. The centerpiece of the decision is aimed at empowering customers to control their energy costs. When the company filed its rate request on February 27, 2012, it sought to increase annual electric operating revenues by approximately \$83.5 million.

January 9 Commission issues decision in Kansas City Power & Light Company electric rate case. The Commission grants an increase of approximately \$67.4 million in annual electric operating revenues. When the company filed its rate request with the Commission on February 27, 2012, it sought to increase annual electric operating revenues by approximately \$105.7 million.

January 16 Commission Chairman Kevin Gunn announces he will step down from the Commission effective March 1, 2013.

January 24 Missouri Senate gives unanimous advice and consent to Governor Nixon's appointments of Steve Stoll and William Kenney as Commissioners.

February 20 Commission approves the sale of the sewer assets of the Meramec Sewer Company to Missouri-American Water Company.

February 27 Commission approves an agreement reached in an electric rate case filed by The Empire District Electric Company. The agreement authorizes an increase of approximately \$27.5 million. When Empire filed its rate request on July 6, 2012, it sought to increase annual electric operating revenues by approximately \$30.7 million.

March 1 Governor Nixon appoints Robert S. Kenney as Chairman of the Commission.

March 6 Commission announces a decrease in the surcharge that Missouri wireline telephone customers pay to the Missouri Universal Service Fund.

March 18 Commission supports national "Fix-A-Leak Week".

April 1 Commission observes National Safe Digging Month promoting "Call Before You Dig".

April 9 Commission reduces Relay Missouri surcharge.

April 15 Commission celebrates 100 years of service to the citizens of Missouri.

June 1 Hot Weather Rule takes effect.

June 26 Commission approves agreement which calls for no general rate increase for Laclede Gas Company. When Laclede filed its rate request on December 21, 2012, it sought to increase annual natural gas operating revenues by approximately \$58.4 million (\$14.8 million of which is already collected in customer bills through the ISRS).

PSC COMMISSIONERS PAST AND PRESENT



COMMISSIONER

LENGTH OF SERVICE

COMMISSIONER

LENGTH OF SERVICE

John M. Atkinson	1913-1916
William F. Woerner	1913-1914
John Kennish	1913-1917; 1920
Frank A. Wightman	1913-1915
Howard B. Shaw	1913-1917
Edwin J. Bean	1914-1925
Eugene McQuillin	1915-1917
William G. Busby	1916-1921
David E. Blair	1917-1920
Noah W. Simpson	1917-1923
Edward Flad	1917-1921
John A. Kurtz	1920-1923
Hugh McIndoe	1921-1923
A.J. O'Reilly	1921-1925
Richard H. Musser	1923-1925
Merrill E. Otis	1923-1924
Thomas J. Brown	1923-1928
D.E. Calfee	1925-1929
Almon Ing	1925-1933
S.M. Hutchinson	1925-1931
J.H. Porter	1925-1933
James P. Painter	1928-1929
Milton R. Stahl	1929-1933
J. Fred Hull	1929-1934
George H. English	1931-1936
J.C. Collet	1933-1935
William Stoecker	1933-1936
W.M. Anderson	1933-1938
Harry E. McPherson	1934-1935
Sam O. Hargus	1935-1937
John S. Boyer	1935-1941
Albert D. Nortoni	1936-1938
John A. Ferguson	1936-1944
J.D. James	1937-1942
Marion S. Francis	1938-1941
Scott Wilson	1938-1941
Paul Van Osdol	1941-1943
Frederick Stueck	1941-1943
Kyle Williams	1941-1952
Charles L. Henson	1942-1959
Albert Miller	1943-1944
Richard Arens	1944-1945
Agnes Mae Wilson	1943-1949
E.L. McClintock	1945-1967
Morris E. Osburn	1945-1952
John P. Randolph	1949-1951
Henry McKay Cary	1950-1955
Maurice Covert	1952-1953
Tyre W. Burton	1952-1965
Frank Collier	1953-1954

M.J. McQueen	1954-1956
D.D. McDonald	1955-1961
William Barton	1956-1965
Frank J. Iuen	1959-1963
Frank W. May	1961-1967
Donal D. Guffey	1963-1968
William R. Clark	1965-1975
Charles J. Fain	1965-1977
Howard Elliot, Jr.	1967-1970
Marvin E. Jones	1967-1973
Willard D. Reine	1968-1975
James F. Mauze	1971-1975
A. Robert Pierce, Jr.	1973-1977
James P. Mulvaney	1975-1977
Stephen B. Jones	1975-1979
Hugh A. Sprague	1975-1979
Charles J. Fraas	1977-1983
Leah Brock McCartney	1977-1983
Alberta Slavin	1977-1981
Stephanie Bryant	1979-1981
Larry W. Dority	1979-1983
John C. Shapleigh	1981-1984
Charlotte Musgrave	1981-1988
Allan G. Mueller	1983-1996
Connie Hendren	1983-1989
James M. Fischer	1984-1989
William D. Steinmeier	1984-1992
David Rauch	1989-1993
Kenneth McClure	1990-1997
Ruby Letsch-Roderique	1990-1991
Patricia Perkins	1991-1995
Duncan Kincheloe	1992-1997
Harold Crumpton	1993-2000
M. Dianne Drainer	1995-2001
Karl Zobrist	1996-1997
Robert Schemenauer	1998-2001
Sheila Lumpe	1997-2003
Connie Murray	1997-2009
Kelvin Simmons	2000-2003
Bryan Forbis	2001-2003
Steve Gaw	2001-2007
Linward "Lin" Appling	2004-2008
Robert Clayton III	2003-2011
Jeff Davis	2004-2012
Kevin Gunn	2008-2013
Terry Jarrett	2007-2013
Robert S. Kenney	2009-present
Stephen M. Stoll	2012-present
William P. Kenney	2013-present
Daniel Y. Hall	2013-present



CONTACTING THE PSC

Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The PSC is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

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Fax: (573) 751-1847

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St. Louis, MO 63101
Telephone No.: (314) 340-4700
Fax: (314) 340-4725

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Fletcher Daniels State Office Building
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Kansas City, MO 64106
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Fax: (816) 889-3957

**Toll-free Consumer Hotline for
Complaints: (800) 392-4211**

**Manufactured Housing/Modular Unit
Complaints: (800) 819-3180**

Web site address: www.psc.mo.gov





www.psc.mo.gov
(800) 392-4211

